

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~20
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	21
(6) Explanation of significant accounts	21~78
(7) Related-party transactions	78~80
(8) Assets pledged as security	81
(9) Commitments and contingencies	81~82
(10) Losses due to major disasters	82
(11) Subsequent events	82
(12) Others	82~83
(13) Other disclosures	
(a) Information on significant transactions	83
(b) Information on investees	84
(c) Information on investment in Mainland China	84
(d) Major shareholders	84
(14) Segment information	84



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Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, and changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$69,692,666 thousand and \$44,387,595 thousand, constituting 11.26% and 7.77% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounting to \$15,592,457 thousand and \$11,846,158 thousand, constituting 3.69% and 3.03% of consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive gain (loss) amounting to \$(474,675) thousand, \$(388,416) thousand, \$237,644 thousand and \$212,853 thousand, constituting (5.66)%, (10.86)%, 1.38% and 2.45% of consolidated total comprehensive income for the three months and the six months ended June 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$23,851,547 thousand and \$20,371,045 thousand as of June 30, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$13,380 thousand, \$464,678 thousand, \$1,140,686 thousand and \$307,060 thousand for the three months and the six months ended June 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review reports of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$82,657,688 thousand and \$71,167,924 thousand, representing 13.35% and 12.46% of the related consolidated total assets as of June 30, 2022 and 2021, and net sales of \$17,245,150 thousand, \$16,909,647 thousand, \$34,540,440 thousand and \$31,176,157 thousand, representing 6.08%, 6.21%, 5.69% and 6.38% of the related consolidated total net sales for the three months and the six months ended June 30, 2022 and 2021, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

The engagement partners on the review resulting in this independent auditors’ report are Kuo-Yang Tseng and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
August 11, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS
AS OF JUNE 30, 2022 AND 2021

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31, 2021, and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 96,884,617	16	111,024,086	16	106,909,838	19
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,030,024	1	11,671,446	2	11,390,727	2
1170	Accounts receivable, net (Notes 6(d), 6(aa) and 7)	189,209,497	31	249,533,457	37	161,277,511	28
1200	Other receivables, net (Notes 6(e) and 7)	10,032,271	2	9,628,610	2	6,199,878	1
130X	Inventories (Note 6(f))	173,207,895	28	148,061,197	22	143,891,677	25
1460	Non-current assets classified as held for sale, net (Note 6(g))	-	-	-	-	43,138	-
1476	Other current financial assets (Notes 6(p) and 8)	14,400,955	2	30,316,944	4	24,678,558	4
1479	Other current assets (Note 6(p))	<u>5,777,409</u>	<u>1</u>	<u>4,615,086</u>	<u>1</u>	<u>4,606,827</u>	<u>1</u>
		<u>498,542,668</u>	<u>81</u>	<u>564,850,826</u>	<u>84</u>	<u>458,998,154</u>	<u>80</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,494,091	-	1,588,080	-	684,108	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,312,763	-	1,492,875	-	1,003,303	-
1550	Investments accounted for using the equity method (Note 6(h))	24,230,177	4	22,534,158	3	20,966,001	4
1600	Property, plant and equipment (Notes 6(l) and 8)	76,396,063	12	69,736,530	10	65,351,906	11
1755	Right-of-use assets (Note 6(m))	6,521,191	1	6,236,459	1	5,008,285	1
1760	Investment property, net (Note 6(n))	34,351	-	33,433	-	35,096	-
1780	Intangible assets (Note 6(o))	220,837	-	208,186	-	204,564	-
1840	Deferred tax assets	3,121,976	1	2,820,827	1	3,375,626	1
1915	Prepayments on purchase of equipment	6,880,632	1	6,812,380	1	3,902,133	1
1980	Other non-current financial assets (Notes 6(p) and 8)	400,238	-	406,576	-	11,533,063	2
1990	Other non-current assets (Note 6(p))	<u>49,482</u>	<u>-</u>	<u>50,033</u>	<u>-</u>	<u>34,592</u>	<u>-</u>
		<u>120,661,801</u>	<u>19</u>	<u>111,919,537</u>	<u>16</u>	<u>112,098,677</u>	<u>20</u>
Total assets		<u>\$ 619,204,469</u>	<u>100</u>	<u>676,770,363</u>	<u>100</u>	<u>571,096,831</u>	<u>100</u>

See accompanying notes to financial statements.

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AS OF JUNE 30, 2022 AND 2021

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

June 30, 2022, December 31, 2021, and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities:						
2100	\$ 107,671,647	17	94,023,304	14	112,344,204	20
2130	1,185,052	-	1,325,274	-	1,249,485	-
2170	176,708,142	29	266,661,540	40	167,469,468	30
2209	24,880,228	4	25,898,985	4	22,227,154	4
2216	15,720,440	3	-	-	12,972,933	2
2219	6,430,017	1	9,683,535	2	4,583,293	1
2230	3,286,109	1	2,598,928	-	1,916,636	-
2281	1,378,052	-	1,067,674	-	944,823	-
2321	6,500,000	1	2,000,000	-	-	-
2322	1,741,527	-	1,026,949	-	5,815,858	1
2399	27,334,347	4	24,301,864	4	18,960,704	3
	372,835,561	60	428,588,053	64	348,484,558	61
Non-Current liabilities:						
2527	1,040,128	-	150,352	-	151,344	-
2530	30,373,293	5	34,869,595	5	27,976,516	5
2540	12,662,020	2	12,210,422	2	10,522,085	2
2570	1,613,134	-	2,134,397	-	1,857,625	-
2581	1,886,600	-	2,003,326	-	858,085	-
2650	2,558	-	258	-	-	-
2670	2,569,960	1	2,547,083	-	759,611	-
	50,147,693	8	53,915,433	7	42,125,266	7
	422,983,254	68	482,503,486	71	390,609,824	68
Total liabilities						
Equity Attributable to Owners of the Parent Company (Note 6(w)):						
3110	26,684,533	4	26,691,316	4	26,703,617	5
Capital surplus:						
3210	78,154,083	13	78,057,441	12	77,483,059	14
3280	5,331,130	1	5,263,867	1	5,564,074	1
	83,485,213	14	83,321,308	13	83,047,133	15
Retained earnings:						
3310	17,721,898	3	15,698,039	2	15,698,038	3
3320	20,918,849	3	15,866,201	2	15,866,202	3
3350	31,017,979	5	46,661,789	7	36,046,713	6
	69,658,726	11	78,226,029	11	67,610,953	12
Other equity interest:						
3410	(12,048,410)	(2)	(21,363,627)	(3)	(20,643,516)	(4)
3420	136,692	-	444,778	-	(6,418)	-
3491	(458,788)	-	(712,701)	-	(899,056)	-
	(12,370,506)	(2)	(21,631,550)	(3)	(21,548,990)	(4)
3500	(5,269)	-	(2,558)	-	(8,306)	-
	167,452,697	27	166,604,545	25	155,804,407	28
36xx	28,768,518	5	27,662,332	4	24,682,600	4
	196,221,215	32	194,266,877	29	180,487,007	32
	196,221,215	32	194,266,877	29	180,487,007	32
Total liabilities and equity	\$ 619,204,469	100	676,770,363	100	571,096,831	100

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	For the three months ended June 30				For the six months ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4110	Operating revenue (Notes 6(aa) and 7)							
	\$ 284,524,453	100	272,894,445	100	609,204,759	100	489,769,994	100
4170	Less: Sales returns and allowances							
	866,936	-	617,565	-	1,722,703	-	871,487	-
	Operating revenue, net							
	283,657,517	100	272,276,880	100	607,482,056	100	488,898,507	100
5000	Cost of sales (Notes 6(f), 6(t), 6(u), 6(x), 6(y), 6(ab), and 7)							
	269,163,889	95	262,565,639	96	581,533,790	96	469,949,642	96
	Gross profit from operations							
	14,493,628	5	9,711,241	4	25,948,266	4	18,948,865	4
6000	Operating expenses (Notes 6(t), 6(u), 6(x), 6(y) and 6(ab)):							
6100	Selling expenses							
	1,313,658	-	1,104,608	-	2,568,922	-	2,248,477	-
6200	General and administrative expenses							
	2,769,523	1	2,074,925	1	5,107,050	1	4,179,263	1
6300	Research and development expenses							
	3,861,578	1	3,837,805	2	7,497,943	1	7,611,104	2
	Total operating expenses							
	7,944,759	2	7,017,338	3	15,173,915	2	14,038,844	3
	Net operating income							
	6,548,869	3	2,693,903	1	10,774,351	2	4,910,021	1
	Non-operating income and expenses:							
7100	Interest income (Notes 6(ac) and 7)							
	387,728	-	443,024	-	782,359	-	837,066	-
7010	Other income (Note 6(ac))							
	1,224,323	-	1,902,650	1	2,773,632	-	2,407,811	-
7020	Other gains and losses (Notes 6(i), 6(l), 6(o) and 6(ac))							
	(990,836)	-	2,981,651	1	(4,250,717)	(1)	4,269,304	1
7050	Finance costs (Notes 6(d), 6(s), 6(t) and 6(ac))							
	(404,429)	-	(272,343)	-	(660,619)	-	(566,009)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))							
	21,223	-	356,469	-	1,143,907	-	94,660	-
	Total non-operating income and expenses							
	238,009	-	5,411,451	2	(211,438)	(1)	7,042,832	1
	Profit before tax							
	6,786,878	3	8,105,354	3	10,562,913	1	11,952,853	2
7950	Less: Tax expenses (Note 6(v))							
	2,016,171	1	1,627,095	1	2,644,012	-	259,665	-
	Profit for the year							
	4,770,707	2	6,478,259	2	7,918,901	1	11,693,188	2
8300	Other comprehensive income:							
8310	Components of other comprehensive income that will not be reclassified to profit or loss							
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income							
	(151,496)	-	77,645	-	(308,086)	-	67,932	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss							
	-	-	-	-	-	-	-	-
	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss							
	(151,496)	-	77,645	-	(308,086)	-	67,932	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ad))							
8361	Exchange differences on translation of foreign financial statements							
	4,165,562	1	(2,835,995)	(1)	9,085,516	1	(2,712,742)	(1)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(h))							
	(398,428)	-	(148,432)	-	479,451	-	(378,430)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss (Note 6(v))							
	(5,493)	-	(4,009)	-	(4,719)	-	(20,933)	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss							
	3,772,627	1	(2,980,418)	(1)	9,569,686	1	(3,070,239)	(1)
8300	Other comprehensive income (loss) for the period, net of tax							
	3,621,131	1	(2,902,773)	(1)	9,261,600	1	(3,002,307)	(1)
8500	Total comprehensive income for the period							
	\$ 8,391,838	3	3,575,486	1	17,180,501	2	8,690,881	1
	Profit attributable to:							
8610	Owners of the parent company							
	3,115,905	1	5,343,765	2	4,783,330	-	10,016,265	2
8620	Non-controlling interests							
	1,654,802	1	1,134,494	-	3,135,571	1	1,676,923	-
	\$ 4,770,707	2	6,478,259	2	7,918,901	1	11,693,188	2
	Comprehensive income attributable to:							
8710	Owners of the parent company							
	6,656,029	2	2,527,668	1	13,790,461	1	7,081,758	1
8720	Non-controlling interests							
	1,735,809	1	1,047,818	-	3,390,040	1	1,609,123	-
	\$ 8,391,838	3	3,575,486	1	17,180,501	2	8,690,881	1
	Earnings per share, net of tax (Note 6(z))							
9750	Basic earnings per share							
	\$ 1.17		2.01		1.79		3.76	
9850	Diluted earnings per share							
	\$ 1.16		2.00		1.78		3.73	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													
	Share capital		Retained earnings				Total other equity interest						Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance on January 1, 2021	\$ 26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(1,146,659)	(17,012,860)	-	162,594,581	36,345,941	198,940,522
Profit for the period	-	-	-	-	10,016,265	10,016,265	-	-	-	-	-	10,016,265	1,676,923	11,693,188
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(3,002,439)	67,932	-	(2,934,507)	-	(2,934,507)	(67,800)	(3,002,307)
Total comprehensive income (loss) for the period	-	-	-	-	10,016,265	10,016,265	(3,002,439)	67,932	-	(2,934,507)	-	7,081,758	1,609,123	8,690,881
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,991,955	-	(1,991,955)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,580,152	(4,580,152)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(11,982,931)	(11,982,931)	-	-	-	-	-	(11,982,931)	-	(11,982,931)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(409,874)	(409,874)	-	-	-	-	-	(409,874)	-	(409,874)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-
Changes in ownership interests in subsidiaries	-	10,329	-	-	-	-	-	-	-	-	-	10,329	(10,329)	-
Share-based payments	75,740	-	-	-	-	-	-	-	-	-	-	75,740	-	75,740
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	17,041	17,041	-	(17,041)	-	(17,041)	-	-	-	-
Expiration of restricted shares of stock issued to employees	(860)	9,110	-	-	95	95	-	-	-	-	(8,306)	39	-	39
Compensation cost arising from restricted shares of stock	-	178,520	-	-	-	-	-	-	247,603	247,603	-	426,123	-	426,123
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,253,493)	(15,253,493)
Balance on June 30, 2021	\$ 26,703,617	83,047,133	15,698,038	15,866,202	36,046,713	67,610,953	(20,643,516)	(6,418)	(899,056)	(21,548,990)	(8,306)	155,804,407	24,682,600	180,487,007
Balance on January 1, 2022	\$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877
Profit for the period	-	-	-	-	4,783,330	4,783,330	-	-	-	-	-	4,783,330	3,135,571	7,918,901
Other comprehensive income (loss) for the period	-	-	-	-	-	-	9,315,217	(308,086)	-	9,007,131	-	9,007,131	254,469	9,261,600
Total comprehensive income for the period	-	-	-	-	4,783,330	4,783,330	9,315,217	(308,086)	-	9,007,131	-	13,790,461	3,390,040	17,180,501
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)
Changes in equity of associates and joint ventures accounted for using equity method	-	62,874	-	-	-	-	-	-	-	-	-	62,874	-	62,874
Changes in ownership interests in subsidiaries	-	2,341	-	-	-	-	-	-	-	-	-	2,341	(2,341)	-
Expiration of restricted shares of stock issued to employees	(6,783)	9,494	-	-	(7,330)	(7,330)	-	-	-	-	(2,711)	(7,330)	-	(7,330)
Compensation cost arising from restricted shares of stock	-	89,196	-	-	-	-	-	-	253,913	253,913	-	343,109	-	343,109
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,281,513)	(2,281,513)
Balance on June 30, 2022	\$ 26,684,533	83,485,213	17,721,898	20,918,849	31,017,979	69,658,726	(12,048,410)	136,692	(458,788)	(12,370,506)	(5,269)	167,452,697	28,768,518	196,221,215

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 10,562,913	11,952,853
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	7,016,737	6,902,443
Amortization expense	76,271	75,737
Expected credit (gain) loss	(1,174)	36,693
Net loss on financial assets and liabilities at fair value through profit or loss	3,720,253	1,516,431
Interest expense	653,155	560,813
Interest income	(782,359)	(837,066)
Dividend income	(90,792)	(2,150)
Compensation cost arising from share-based payments	417,566	470,092
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(1,143,907)	(94,660)
Gain on disposal of property, plant and equipment	(243,964)	(428,967)
Property, plant and equipment charged to expenses	137,147	72,832
Loss on disposal of intangible assets	-	334
Gain on disposal of investments	-	(3,983,749)
Impairment loss on non-financial assets	17,374	7,418
Loss (gain) on foreign currency exchange on long-term loans	-	(239,778)
Government grants income	(43,534)	(37,541)
Amortization of issuance costs on bonds payable	3,698	2,834
Gain on lease modification	(108,996)	(799)
Total adjustments to reconcile profit	9,627,475	4,020,917
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(984,842)	965,332
Decrease in accounts receivable	60,324,869	14,560,707
Increase in other receivables	(253,850)	(4,840,680)
(Increase) decrease in inventories	(25,211,198)	11,771,831
(Increase) decrease in other current assets	(1,102,479)	1,626,352
Decrease in other financial assets	15,915,989	16,254,069
Decrease in other operating assets	550	26,152
Total changes in operating assets	48,689,039	40,363,763
Changes in operating liabilities:		
(Decrease) increase in contract liabilities	(129,147)	223,417
Decrease in accounts payable	(89,953,398)	(45,304,851)
(Decrease) increase in accrued expenses	(1,354,915)	20,321,900
(Decrease) increase in other payables	(1,465,633)	7,303,768
Increase (decrease) in other current liabilities	3,811,631	(5,277,625)
Increase in other operating liabilities	45,804	76,312
Total changes in operating liabilities	(89,045,658)	(22,657,079)
Total changes in operating assets and liabilities	(40,356,619)	17,706,684
Total adjustments	(30,729,144)	21,727,601
Cash (outflow) inflow generated from operations	(20,166,231)	33,680,454
Interest received	738,036	725,549
Dividends received	2,679	2,150
Interest paid	(588,612)	(631,921)
Income taxes paid	(2,564,391)	(2,238,607)
Net cash flows (used in) from operating activities	(22,578,519)	31,537,625

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(124,574)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	42,204
Acquisition of property, plant and equipment	(7,573,956)	(13,427,899)
Proceeds from disposal of property, plant and equipment	540,389	614,605
Acquisition of intangible assets	(96,091)	(98,219)
Proceeds from disposal of intangible assets	-	236
Acquisition of right-of-use assets	-	(13,837)
Proceeds from disposal of right-of-use assets	138,008	34,132
Disposal of subsidiaries	-	(19,024,729)
Increase in other financial assets	(20,822)	(7,925,383)
Increase in prepayments on purchase of equipment	(5,201,683)	(4,376,134)
Net cash flows used in investing activities	(12,338,729)	(44,175,024)
Cash flows from financing activities:		
Increase in short-term loans	13,648,343	8,169,193
Proceeds from issuing bonds	-	3,495,500
Repayments of bonds	-	(1,000,000)
Proceeds from long-term loans	2,508,166	5,308,148
Repayments of long-term loans	(1,415,998)	(5,735,297)
Repayments of lease liabilities	(727,456)	(769,177)
Issuance of restricted stock	-	75,740
Redemption of restricted stock	(9,494)	(9,166)
Changes in non-controlling interests	24,240	(14,268,622)
Net cash flows (used in) from financing activities	14,027,801	(4,733,681)
Effect of exchange rate fluctuations on cash held	6,749,978	(1,715,796)
Net decrease in cash and cash equivalents	(14,139,469)	(19,086,876)
Cash and cash equivalents, beginning of the period	111,024,086	125,996,714
Cash and cash equivalents, end of the period	\$ 96,884,617	106,909,838

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

PEGATRON CORPORATION (the “Company”) was established on June 27, 2007. The Company’s registered office address is located at 5F., No.76, Ligong St., Beitou District, Taipei City 112, Taiwan. In order to enhance competitiveness and boost productivity, the Company resolved to absorb the OEM business from ASUSTek Computer Inc. on January 1, 2008 as part of the Company’s business restructuring. On April 1, 2008, ASUSALPHA Computer Inc. was merged with the Company. The main activities of the Company are to produce, design and sell OEM business. In January 2010, pursuant to the resolutions of the respective Board of Directors, the Company merged with Pegatron International Investment Co., Ltd., effective June 10, 2010. As the surviving entity from this merger, the Company applied for initial public offering (IPO) to TSEC. The Company’s shares were listed on TSEC on June 24, 2010.

In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged with its subsidiary, UNIHAN CORPORATION, pursuant to the resolutions of the Board of Directors in November, 2013.

The consolidated financial statements of the Company as of and for the six months ended June 30, 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

(2) Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on August 11, 2022.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group's adoption of the new amendments, effective for annual period beginning on January 1, 2022, are expected to have the following impacts:

- (i) Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group may need to recognize equal deferred income tax assets and deferred income tax liabilities and is evaluating the impact of its initial adoption of the amendments on its consolidated financial position.

- (ii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “

(4) Summary of significant accounting policies

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations), and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

(i) List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 15
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	32.35 %	32.86 %	32.86 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	100.00 %	Note 15
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	100.00 %	Note 15
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	100.00 %	Note 15
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave Samoa)	Investing activities	100.00 %	100.00 %	100.00 %	
Azwave Samoa	AzureWave Technologies (Shanghai) Inc.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Note 15
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	AMA PRECISION INC. (AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00 %	100.00 %	100.00 %	
PIOTEK HOLDING	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components, high-end server, disk drive, and other related components.	100.00 %	100.00 %	100.00 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
DIGITEK	DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	100.00 %	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 15
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
PROTEK	PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service.	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	- %	- %	Note 10 and 15
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	54.88 %	54.88 %	55.92 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Data storage and sale of electronic material and international trade	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	100.00 %	Note 15
ASROCK	LEADER INSIGHT HOLDINGS LTD. (LEADER)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 15
LEADER	FIRSTPLACE INTERNATIONAL LTD. (FIRSTPLACE)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 15
FIRSTPLACE	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	59.67 %	59.67 %	62.43 %	Note 4
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	65.83 %	65.83 %	65.83 %	Note 5
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	100.00 %	Note 15
ASROCK	ASJade Technology Incorporation	Information software service	78.57 %	78.57 %	- %	Note 12
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	38.58 %	38.58 %	38.58 %	Note 3

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Manufacturing medical appliances	45.21 %	45.21 %	45.21 %	Note 6
PEGAVISION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	BeautyTech Platform Corporation (BeautyTech Platform)	Selling medical appliances	- %	- %	100.00 %	Note 9
PEGAVISION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited.	Manufacturing and selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Mayin Investment Co., Ltd.	Investing activities	100.00 %	100.00 %	- %	Note 9
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation (BeautyTech Platform)	Selling medical appliances	100.00 %	100.00 %	- %	Note 9
BeautyTech Platform	Aquamax Vision Corporation	Selling medical appliances	100.00 %	100.00 %	100.00 %	
BeautyTech Platform	BeautyTech Platform (Shanghai) Corporation	Selling medical appliances	100.00 %	- %	- %	Note 13
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling cosmetics	55.00 %	55.00 %	- %	Note 9
FacialBeau International Corporation	FacialBeau (Jiangsu) Corporation	Manufacturing and selling medical appliances	100.00 %	- %	- %	Note 14
FacialBeau International Corporation	IKIDO Inc.	Manufacturing and selling cosmetics	100.00 %	- %	- %	Note 14
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG TECHNOLOGY)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 15
FUYANG TECHNOLOGY	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
KINSUS	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00 %	100.00 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine-line)	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 7
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	Note 8
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 15
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 15
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 8
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	- %	- %	- %	Note 8
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 8

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
RIH LI	RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. (RI SHAN)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	- %	- %	Note 8
RIH LI	Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 8
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 15
RI-KUAN	RITENG USA, INC	Market survey	100.00 %	100.00 %	100.00 %	Note 15
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	100.00 %	Note 15
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	- %	- %	- %	Note 8
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Travel agency	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 15
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.20 %	55.21 %	55.21 %	Note 15
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 15
Lumens Optics	Lumens Digit Image Inc. (SAMOA) (Lumens)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2022	December 31, 2021	June 30, 2021	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	100.00 %	Note 15
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 15
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	- %	- %	- %	Note 7 and 15
THE COMPANY, ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC.	Sales center in North America	100.00 %	100.00 %	- %	Note 11 and 15
THE COMPANY	PEGATRON ELECTRONICS INC.	Sales center in North America	100.00 %	100.00 %	- %	Note 11 and 15
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	- %	- %	Note 13 and 15
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	- %	- %	Note 13 and 15
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd.	Investing activities	100.00 %	- %	- %	Note 13 and 15

Note 1 : Since the Group only held 32.35% of voting rights of AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE), with the remaining 67.65% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.

Note 2 : On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, and approved to issue new restricted shares of stock on September 14, 2021, resulting in the Group's shareholding ratio in ASROCK to decrease from 55.92% to 54.88%.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 3 : Since the Group only held 38.58% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.42% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.
- Note 4 : On April 22, 2021, ASRock Rack Incorporation (ARI) approved to cancel 191 thousand treasury stocks during its board meeting, resulting in the Group's shareholding ratio to increase from 62.05% to 62.43%. In addition, a resolution had been approved during the board meeting of ARI held on July 14, 2021 to raise its capital for employee stock options. However, the Group did not increase its shares proportionally in ARI, resulting in the Group's shareholding ratio in ARI to decrease from 62.43% to 59.66%. Also, ARI issued stock dividends to inject its capital with surplus on August 24, 2021, resulting in the Group's shareholding ratio in ARI to increase from 59.66% to 59.67%.
- Note 5 : On June 11, 2021, ASRock Industrial Computer Corporation approved to issue new shares for employee stock options during its board meeting, with the investment amounting of \$6,132 thousand. Since the Group did not purchase the stocks based on its shareholding ratio, the Group's shareholding ratio in ASRock has decreased from 66.96% to 65.83%.
- Note 6 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 7 : On August 26, 2020, CASETEK HOLDINGS LIMITED (CASETEK) reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%. Pursuant to a resolution made during the CASETEK's Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK in accordance with the merger agreement. The Group's shareholding ratio in CASETEK increased to 100% since the equity of CASETEK, originally held by ASUSPOWER CORPORATION, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS ACE LIMITED as a dissolved company being merged in the triangular merger.
- Note 8 : To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI) to a domestic holding company. Upon the completion of the reorganization, RI SHAN, RI PEI, RI MING, and SHENG RUI became directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Furthermore, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital, with the record date on February 3, 2021; and to authorize RIH LI INTERNATIONAL LIMITED to waive its pre-emptive right toward the capital increase of RI KAI, which will result in the Group's shareholding ratio in RI KAI to decrease from 100% to 48.17%. In addition, an agreement wherein RI KAI will obtain the physical control over CASETEK SINGAPORE PTE. LTD. had also been made. After the capital increase, the other shareholders of RI KAI have also given the physical decision power over relevant operating activities of RI KAI and CASETEK SINGAPORE PTE. LTD. The Group had lost control over its subsidiaries after the record date of the capital increase. On April 26, 2021, RI KAI was renamed Luxcase Precision Technology (Yancheng) Co., Ltd.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 9 : To improve its operational efficiency, PEGAVISION CORPORATION approved a resolution during its board meeting held on July 26, 2021 for a structure reorganization by transferring its investment from BeautyTech Platform Corporation to Mayin Investment Co. (Mayin), which was established (with all related registration procedures had been completed on August 19, 2021) and a directly wholly-owned subsidiary of PEGAVISION CORPORATION once the reorganization is completed. Furthermore, Mayin directly established a 55% owned subsidiary, FacialBeau International Corporation, with its registration completed on October 22, 2021. BeautyTech Platform directly established a 100% owned subsidiary, BeautyTech Platform (Shanghai) Corporation, with its registration completed on January 24, 2022.
- Note 10 : The subsidiary has been sold to a non-related third party in the first quarter of 2021, therefore, the Group lost control over the subsidiary.
- Note 11 : The subsidiary was established by the Group in the fourth quarter of 2021.
- Note 12 : The subsidiary was purchased by the Group in the fourth quarter of 2021.
- Note 13: The subsidiary was established by the Group in the first quarter of 2022.
- Note 14: The wholly owned subsidiary was directly established by the Group in the first quarter of 2022, with its registration having been completed. However, the investment amount has not been remitted as of June 30, 2022.
- Note 15: It is an insignificant subsidiary that the financial statements for the six months ended June 30, 2022 and 2021, have not been reviewed.

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off event.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 26,719	446,493	29,618
Cash in banks	45,234,413	57,627,545	48,886,197
Time deposits	50,710,054	52,741,895	56,924,582
Cash equivalents	<u>913,431</u>	<u>208,153</u>	<u>1,069,441</u>
	<u>\$ 96,884,617</u>	<u>111,024,086</u>	<u>106,909,838</u>

- (i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(p) and 8 for details.
- (ii) Please refer to Note 6(ae) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets at fair value through profit or loss

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 1,027,541	1,582,906	1,532,870
Shares of emerging stock of listed companies	139,750	-	-
Shares of stock of unlisted companies	7,704	7,704	7,704
Beneficiary certificates	1,908,032	1,724,887	2,076,014
Shares of stock of overseas listed companies	5,861,076	8,263,406	7,688,639
Convertible bonds	<u>85,921</u>	<u>92,543</u>	<u>85,500</u>
Subtotal	<u>9,030,024</u>	<u>11,671,446</u>	<u>11,390,727</u>
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	217,350	220,850	220,850
Shares of stock of unlisted companies	183,780	-	-
Beneficiary certificates	526,657	471,075	399,589
Shares of stock of overseas listed company	319,856	659,176	-
Share of stock of overseas unlisted company	<u>246,448</u>	<u>236,979</u>	<u>63,669</u>
Subtotal	<u>1,494,091</u>	<u>1,588,080</u>	<u>684,108</u>
Total	<u>\$ 10,524,115</u>	<u>13,259,526</u>	<u>12,074,835</u>

- (i) Please refer to Note 6(ac) for re-measurement at fair value recognized in profit or loss.
- (ii) Please refer to Note 6(ae) for credit risk and market risk.
- (iii) The aforesaid financial assets were not pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Financial assets at fair value through other comprehensive income

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Debt investments at fair value through other comprehensive income:			
Beneficiary certificates	\$ 166,358	41,784	-
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	739,062	1,015,796	531,198
Shares of stock of unlisted companies	151,187	147,786	148,090
Shares of stock of overseas listed companies	209,932	241,285	277,791
Shares of stock of overseas unlisted companies	<u>46,224</u>	<u>46,224</u>	<u>46,224</u>
Total	<u>\$ 1,312,763</u>	<u>1,492,875</u>	<u>1,003,303</u>

(i) Debt investments at fair value through other comprehensive income

The Group has assessed that the following securities were held within a business model whose objective was achieved by both collecting the contractual cash flows and by selling securities. Therefore, they have been classified as debt investments at fair value through other comprehensive income.

(ii) Equity instruments at fair value through other comprehensive income

The Group holds these equity instruments, which are not held for trading, and are for long-term strategic purposes, at designated fair value through other comprehensive income.

During the three months and the six months ended June 30, 2022 and 2021 the dividends of \$33,142 thousand, \$0, \$33,142 thousand, and \$0, related to equity investments at fair value through other comprehensive income held on June 30, 2022 and 2021, respectively, were recognized.

For the six months ended June 30, 2021, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$42,204 thousand, and the Group realized cumulative gains \$17,041 thousand, which were included in other comprehensive income. The cumulative gains were converted to retained earnings.

(iii) Please refer to Note 6(ae) for credit risk and market risk.

(iv) The aforesaid financial assets were not pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable, net (including related parties)

(i) The components of notes and accounts receivable were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes receivables from operating activities	\$ 2,969	14,952	9,889
Accounts receivable-measured at amortized cost	189,324,616	249,637,569	161,467,510
Less: Allowance for impairment	<u>118,088</u>	<u>119,064</u>	<u>199,888</u>
	<u>\$ 189,209,497</u>	<u>249,533,457</u>	<u>161,277,511</u>

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable were measured at fair value through other comprehensive income.

(ii) Credit loss

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes, and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

	<u>June 30, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 187,109,345	0%~1%	(35,740)
Overdue 0 to 30 days	2,034,505	1%~30%	(39,822)
Overdue 31 to 120 days	163,693	2%~100%	(24,068)
Overdue 121 to 365 days	12,345	14%~100%	(10,761)
Over 365 days past due	<u>7,697</u>	100%	<u>(7,697)</u>
	<u>\$ 189,327,585</u>		<u>(118,088)</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 247,929,269	0%~1%	(43,584)
Overdue 0 to 30 days	1,477,274	1%~30%	(43,102)
Overdue 31 to 120 days	137,784	0%~100%	(7,428)
Overdue 121 to 365 days	96,406	2%~100%	(13,162)
Over 365 days past due	<u>11,788</u>	100%	<u>(11,788)</u>
	<u>\$ 249,652,521</u>		<u>(119,064)</u>
	June 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 159,498,833	0%~1%	(48,131)
Overdue 0 to 30 days	1,670,885	1%~30%	(29,245)
Overdue 31 to 120 days	176,165	0%~100%	(38,077)
Overdue 121 to 365 days	79,732	4%~100%	(32,651)
Over 365 days past due	<u>51,784</u>	100%	<u>(51,784)</u>
	<u>\$ 161,477,399</u>		<u>(199,888)</u>

The movement in the allowance for notes and accounts receivable was as follows:

	For the six months ended June 30	
	2022	2021
Balance on January 1	\$ 119,064	179,507
Impairment losses recognized	7,148	50,381
Impairment loss reversed	(8,057)	(18,760)
Amounts written off	(1,631)	-
Foreign exchange gains (losses)	1,564	(5,977)
Effect of disposals of subsidiaries	-	<u>(5,263)</u>
Balance on June 30	<u>\$ 118,088</u>	<u>199,888</u>

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to Note 6(ae) for the Group's notes and accounts receivable exposure to credit risk and currency risk.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Accounts receivable factoring

The Company entered into separate factoring agreements with different financial institutions to sell its accounts receivable. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

June 30, 2022						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note)	\$ -	USD 760,000	USD -	None	-	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
December 31, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note)	\$ -	USD 760,000	USD -	None	0.40%~ 0.41%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
June 30, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note)	\$ -	USD 760,000	USD -	None	0.40%~ 0.41%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

Note: In October, 2017, the Company signed a joint accounts receivable factoring agreement with ANZ Bank and six other banks where each bank will factor on pro-rata basis.

For the three months and the six months ended June 30, 2022 and 2021, the Company recognized a fee and interest on bank advance payment of \$0, \$63 thousand, \$0 and \$63 thousand, both being reported as finance costs from the factoring of accounts receivable. Please refer to Note 6(ac).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of June 30, 2022, December 31, 2021 and June 30, 2021, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

June 30, 2022						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ <u>670,737</u>	USD <u>30,000</u>	\$ <u>173,279</u>	None	0.47%~ 2.02%	The accounts receivable factoring is without recourse
December 31, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ <u>602,015</u>	USD <u>30,000</u>	\$ <u>244,368</u>	None	0.47%~ 0.50%	The accounts receivable factoring is without recourse
June 30, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ <u>520,211</u>	USD <u>30,000</u>	\$ <u>355,319</u>	None	0.37%~ 0.38%	The accounts receivable factoring is without recourse

(e) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Other receivables	\$ 1,006,494	1,098,166	861,042
Other receivables-Related parties	9,042,290	8,546,882	5,354,769
Less: Allowance for impairment	<u>16,513</u>	<u>16,438</u>	<u>15,933</u>
	<u>\$ 10,032,271</u>	<u>9,628,610</u>	<u>6,199,878</u>

Please refer to Note 6(ae) for credit risk.

(f) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Merchandise	\$ 1,880,592	613,048	1,331,211
Finished goods	59,145,493	60,229,326	37,019,476
Work in process	22,237,383	21,941,181	31,875,727
Raw materials	<u>89,944,427</u>	<u>65,277,642</u>	<u>73,665,263</u>
	<u>\$ 173,207,895</u>	<u>148,061,197</u>	<u>143,891,677</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The components of cost of goods sold were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Cost of goods sold	\$ 266,445,612	259,345,104	575,757,859	464,641,919
Provision on (reversal of) market price decline	671,422	184,657	1,493,304	(1,573,141)
Loss on disposal of inventory	1,976,044	2,719,725	4,154,076	5,824,479
Unallocated manufacturing overhead	66,949	292,557	120,268	1,016,894
Loss on physical inventory	3,862	23,596	8,283	39,491
	<u>\$ 269,163,889</u>	<u>262,565,639</u>	<u>581,533,790</u>	<u>469,949,642</u>

For the three months ended June 30, 2022 and 2021, and six months ended June 30, 2022, the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold. For the six months ended June 30, 2021, the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such a gain was deducted from the cost of goods sold.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the aforesaid inventories were not pledged as collateral.

(g) Non-current assets held for sale

	June 30, 2022	December 31, 2021	June 30, 2021
Land or buildings held for sale	\$ -	-	<u>43,138</u>

AZUREWAVE and its subsidiaries have planned to dispose of the right-of-use assets on land and plant, which were originally used by the production department of AZUREWAVE, within one year. The disposal contract has been signed as of June 30, 2021, but the transfer of ownweship has not yet been completed; therefore, the right-of-use assets on land and plant were classified as non-current assets held for sale. As of June 30, 2021, there is no impairment to the aforementioned assets.

(h) Investments accounted for using the equity method

The Group's investments accounted for using the equity method at reporting date were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Associates	\$ <u>24,230,177</u>	<u>22,534,158</u>	<u>20,966,001</u>
Credit balance of investments accounted for using equity method-associate	\$ <u>2,558</u>	<u>258</u>	<u>-</u>

The Group has lost control over its wholly owned subsidiary, Luxcase, on February 3, 2021. The remaining equity of 48.17% has remeasured at fair value, and the Group has significant influence over Luxcase thereafter.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Associates which are material to the Group consisted of the followings:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			June 30, 2022	December 31, 2021	June 30, 2021
Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI COMPUTER ACCESSORY CO.,LTD.)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %	48.17 %	48.17 %

The following consolidated financial information of the significant associates has been adjusted according to individually prepared IFRS financial statements of these associate:

Luxcase

	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 81,255,069	99,135,906	63,060,305
Non-current assets	40,643,891	38,002,561	29,568,152
Current liabilities	(70,788,853)	(90,182,220)	(33,214,501)
Non-current liabilities	(1,592,524)	(936,897)	(16,731,217)
Net assets attributable to shareholders	<u>\$ 49,517,583</u>	<u>46,019,350</u>	<u>42,682,739</u>

	For the three months ended June 30		For the six months ended June 30	For the five month ended June 30
	2022	2021	2022	2021
Operating revenue	\$ 57,456,927	32,393,062	126,945,440	42,789,753
Gain from continuing operations	\$ 32,528	765,783	2,372,648	304,981
Other comprehensive income	77,706	-	74,240	-
Comprehensive income attributable to shareholders	<u>\$ 110,234</u>	<u>765,783</u>	<u>2,446,888</u>	<u>304,981</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Shares of net assets of the associate as of January 1	\$ 22,168,901	-
Addition	-	21,202,915
Net gain attributable to the Group	1,142,975	146,753
Comprehensive income attributable to the Group	479,355	(378,438)
Change in the ownership interest attributable to the Group	<u>62,874</u>	<u>(409,874)</u>
Shares of net assets of associates	23,854,105	20,561,356
Goodwill	<u>110,702</u>	<u>103,787</u>
Carrying amount of the associate's equity as of June 30	<u><u>\$ 23,964,807</u></u>	<u><u>20,665,143</u></u>

The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Carrying amount of individually insignificant associates' equity	<u><u>\$ 262,812</u></u>	<u><u>261,891</u></u>	<u><u>300,858</u></u>

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Attributable to the Group:				
Gain (loss) from continuing operations	\$ 5,554	(12,564)	932	(52,093)
Other comprehensive income (loss)	<u>97</u>	<u>(14)</u>	<u>96</u>	<u>8</u>
Total comprehensive income (loss)	<u><u>\$ 5,651</u></u>	<u><u>(12,578)</u></u>	<u><u>1,028</u></u>	<u><u>(52,085)</u></u>

- (i) As of June 30, 2022, December 31, 2021 and June 30, 2021, the aforesaid investments accounted for using the equity method were not pledged as collateral.
- (ii) The unreviewed financial statements of investments accounted for using the equity method.

Some of the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Loss of control over a subsidiary

The Group approved a board resolution on January 29, 2021 to authorize its wholly-owned indirect subsidiary, Luxcase (Former RI KAI) to raise its capital on the record date of February 3, 2021, and to authorize another indirect subsidiary, RIH LI waived its pre-emptive right toward the capital increase of RI KAI, resulting the Group's shareholding ratio in Luxcase decreased from 100% to 48.17% and lost control over Luxcase. At the record date, the Group remeasured the remaining 48.17% equity. The difference between the fair value and the net book value and the loss reclassified from the accumulated balance previously recognized as other comprehensive loss comprise the net gain on disposal of \$3,787,520 thousand, presented as other gain or losses in the consolidated statement of comprehensive income. For more details, please refer to Notes 6(ac) and 6(ad).

The carrying amounts of assets and liabilities of Luxcase on February 3, 2021 were as follow:

Cash and cash equivalents	\$ 18,840,790
Inventories	7,614,309
Accounts receivable and other receivables	21,803,507
Other current assets	3,025,160
Financial assets at fair value through other comprehensive income	23,701
Property, plant, and equipment	24,109,302
Right-of-use assets	834,389
Intangible assets	203,881
Deferred tax assets	828,936
Prepayments on purchase of equipment	378,360
Other financial assets	155,204
Short-term loans	(1,067,878)
Accounts payable and other payables	(24,117,848)
Accrued expenses	(34,396,433)
Current tax liabilities	(285,597)
Lease liabilities	(200,415)
Other current liabilities	(355,941)
Contract liabilities	(41,997)
Other non-current liabilities	(109,342)
Carrying amount of net assets	\$ <u>17,242,088</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Subsidiaries that have material non-controlling interest

Subsidiaries that have material non-controlling interest were as follows:

<u>Subsidiaries</u>	<u>Main operation place/Country of registration</u>	<u>Equity ownership of non-controlling interest</u>		
		<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
KINSUS and its subsidiaries	Taiwan	61.42 %	61.42 %	61.42 %
ASROCK and its subsidiaries	Taiwan	45.12 %	45.12 %	44.08 %

On January 15, 2021, the Group practiced an organizational restructuring on CASETEK CAYMAN and bought back all the non-controlling shareholders' shares. For more details, please refer to Note 4(b) and 6(k).

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information is the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Company and its subsidiaries as at acquisition date. Intra-group transactions were not eliminated in this information.

(i) Information regarding KINSUS and its subsidiaries

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current assets	\$ 26,298,374	26,424,304	22,990,688
Non-current assets	36,657,883	31,961,844	27,930,227
Current liabilities	(16,759,160)	(13,982,699)	(13,445,700)
Non-current liabilities	(11,579,436)	(11,414,351)	(7,636,324)
Net assets	<u>\$ 34,617,661</u>	<u>32,989,098</u>	<u>29,838,891</u>
Non-controlling interest	<u>\$ 21,957,170</u>	<u>20,886,824</u>	<u>18,764,452</u>
	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Operating revenue	<u>\$ 11,453,611</u>	<u>8,725,355</u>	<u>21,467,870</u>
Net income for the period	\$ 2,294,918	1,012,746	4,016,045
Other comprehensive income (loss)	(51,629)	(31,042)	55,829
Comprehensive income	<u>\$ 2,243,289</u>	<u>981,704</u>	<u>4,071,874</u>
Net income attribute to non-controlling interest	<u>\$ 1,473,754</u>	<u>685,610</u>	<u>2,609,238</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 1,440,861</u>	<u>670,006</u>	<u>2,642,503</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities	\$ 5,052,958	3,244,669
Cash flows used in investing activities	(7,719,101)	(7,822,502)
Cash flows from financing activities	282,291	4,950,145
Effect of movement in exchange rate	39,709	(18,610)
Net (decrease) increase in cash and cash equivalents	<u>\$ (2,344,143)</u>	<u>353,702</u>

(ii) Information regarding ASROCK and its subsidiaries

	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 13,629,844	15,422,807	13,163,811
Non-current assets	653,583	471,143	758,334
Current liabilities	(5,717,177)	(7,013,600)	(6,256,467)
Non-current liabilities	(95,593)	(91,506)	(70,315)
Net assets	<u>\$ 8,470,657</u>	<u>8,788,844</u>	<u>7,595,363</u>
Non-controlling interest	<u>\$ 4,202,030</u>	<u>4,271,093</u>	<u>3,598,041</u>

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating revenue	<u>\$ 3,617,465</u>	<u>5,378,140</u>	<u>8,655,813</u>	<u>10,054,103</u>
Net income for the period	\$ 294,729	817,495	943,356	1,328,369
Other comprehensive income (loss)	149,982	(88,823)	278,923	(83,648)
Comprehensive income	<u>\$ 444,711</u>	<u>728,672</u>	<u>1,222,279</u>	<u>1,244,721</u>
Net income attribute to non-controlling interest	<u>\$ 158,207</u>	<u>372,601</u>	<u>470,064</u>	<u>604,080</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 225,877</u>	<u>333,447</u>	<u>595,912</u>	<u>567,207</u>

	For the six months ended June 30	
	2022	2021
Cash flows (used in) from operating activities	\$ (1,689,939)	1,371,076
Cash flows from (used in) investing activities	403,083	(1,174,910)
Cash flows from (used in) financing activities	271,935	(14,641)
Effect of movement in exchange rate	260,374	(79,595)
Net (decrease) increase in cash and cash equivalents	<u>\$ (754,547)</u>	<u>101,930</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Acquisition of non-controlling interests

Pursuant to a resolution made in the Group's Extraordinary General Meeting on September 30, 2020, CASETEK HOLDINGS LIMITED, CAYMAN (CASETEK) will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The Group acquired all non-controlling interest of CASETEK HOLDINGS LIMITED in accordance with the merger agreement on January 15, 2021, the date of merger.

The effects of the changes in the Group's interests in CASETEK were as follows:

	January 15, 2021
Carrying amount of non-controlling interest on acquisition	\$ 12,283,355
Consideration paid to non-controlling interests	(14,274,713)
Exchange differences on translation of foreign financial statements	1,832,185
Capital surplus differences between the consideration and the carrying amounts of the subsidiaries acquired	\$ (159,173)

(l) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	123,917	408,510	87,704	819,926	4,392,215	5,832,272
Disposals and obsolescence	-	(97,045)	(1,252,453)	(104,963)	(2,147,862)	-	(3,602,323)
Reclassifications	196,960	27,344	4,503,408	20,857	1,772,620	(1,466,220)	5,054,969
Effect of movement in exchange rates	8,417	2,522,464	1,375,512	52,327	1,593,234	121,777	5,673,731
Balance on June 30, 2022	\$ 12,062,027	54,076,836	58,373,877	1,369,279	37,037,274	6,106,134	169,025,427
Balance on January 1, 2021	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Additions	-	177,552	1,182,555	97,737	1,125,964	7,858,211	10,442,019
Disposals and obsolescence	-	(287,876)	(1,200,794)	(72,275)	(895,984)	-	(2,456,929)
Reclassifications	3,132,634	2,689,880	2,149,204	-	1,131,397	(6,643,986)	2,459,129
Subsidiaries disposals	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rates	(1,911)	(745,225)	(365,658)	(17,191)	(431,338)	(2,057)	(1,563,380)
Balance on June 30, 2021	\$ 11,649,384	50,777,037	51,054,048	1,318,885	31,637,701	2,243,650	148,680,705
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	1,389,013	2,264,961	89,373	2,433,678	-	6,177,025
Impairment loss (reversal gain)	-	198	(257)	-	15,809	-	15,750
Disposals and obsolescence	-	(97,028)	(1,181,376)	(99,739)	(1,927,755)	-	(3,305,898)
Reclassifications	-	(5,925)	-	-	(6,432)	-	(12,357)
Effect of movement in exchange rates	-	1,148,653	1,147,776	50,867	1,077,300	-	3,424,596
Balance on June 30, 2022	\$ -	24,315,850	43,535,927	1,064,096	23,713,491	-	92,629,364

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the period	-	1,376,764	2,400,006	79,622	2,216,212	-	6,072,604
Impairment loss (reversal gain)	-	5,900	1,621	(18)	(85)	-	7,418
Disposals and obsolescence	-	(216,807)	(1,168,061)	(69,986)	(816,437)	-	(2,271,291)
Reclassifications	-	(43,329)	6,533	-	(39,220)	-	(76,016)
Subsidiaries disposals	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rates	-	(357,250)	(355,880)	(16,892)	(319,966)	-	(1,049,988)
Balance on June 30, 2021	<u>\$ -</u>	<u>20,855,756</u>	<u>40,088,058</u>	<u>1,014,261</u>	<u>21,370,724</u>	<u>-</u>	<u>83,328,799</u>
Carrying value:							
Balance on January 1, 2022	<u>\$ 11,856,650</u>	<u>29,619,217</u>	<u>12,034,077</u>	<u>289,759</u>	<u>12,878,465</u>	<u>3,058,362</u>	<u>69,736,530</u>
Balance on June 30, 2022	<u>\$ 12,062,027</u>	<u>29,760,986</u>	<u>14,837,950</u>	<u>305,183</u>	<u>13,323,783</u>	<u>6,106,134</u>	<u>76,396,063</u>
Balance on January 1, 2021	<u>\$ 8,518,661</u>	<u>36,344,075</u>	<u>21,176,471</u>	<u>289,079</u>	<u>13,320,325</u>	<u>3,736,663</u>	<u>83,385,274</u>
Balance on June 30, 2021	<u>\$ 11,649,384</u>	<u>29,921,281</u>	<u>10,965,990</u>	<u>304,624</u>	<u>10,266,977</u>	<u>2,243,650</u>	<u>65,351,906</u>

- (i) Based on the results of its evaluation of the recoverability of property, plant and equipment, the Group recognized impairment loss as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Impairment loss	<u>\$ 6,957</u>	<u>7,658</u>	<u>15,750</u>	<u>7,418</u>

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No.1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No.1044, 1047 to 1049 at QingHua Section, and No.0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under KINSUS's name while it has been temporarily registered under the general manager's name and, to secure KINSUS's right to the land, mortgage registration has been set aside with KINSUS being the obligee.

- (iii) Please refer to Note 6(ac) for gain and loss on the disposal of property, plant and equipment.

- (iv) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.

- (m) Right-of-use assets

The movements in the cost and depreciation of the right-of-use assets of the leased land, buildings, machinery equipment and transportation equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 4,051,052	5,015,576	-	3,977	9,070,605
Additions	10,186	824,464	-	-	834,650
Reductions	(69,401)	(1,294,510)	-	-	(1,363,911)
Reclassifications	-	29,240	-	-	29,240
Effect of movement in exchange rates	258,423	227,456	-	99	485,978
Balance on June 30, 2022	<u>\$ 4,250,260</u>	<u>4,802,226</u>	<u>-</u>	<u>4,076</u>	<u>9,056,562</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	15,313	334,116	-	-	349,429
Reductions	(48,022)	(243,177)	-	(2,490)	(293,689)
Reclassification	(996)	-	-	-	(996)
Subsidiaries disposals	(753,044)	(365,825)	-	-	(1,118,869)
Effect of movement in exchange rates	(80,742)	(88,999)	-	(10)	(169,751)
Balance on June 30, 2021	<u>\$ 4,070,655</u>	<u>4,497,519</u>	<u>17,793</u>	<u>1,769</u>	<u>8,587,736</u>
Accumulated depreciation:					
Balance on January 1, 2022	\$ 837,553	1,995,046	-	1,547	2,834,146
Depreciation for the period	51,183	786,676	-	299	838,158
Reductions	(28,833)	(1,259,599)	-	-	(1,288,432)
Effect of movement in exchange rates	51,834	99,640	-	25	151,499
Balance on June 30, 2022	<u>\$ 911,737</u>	<u>1,621,763</u>	<u>-</u>	<u>1,871</u>	<u>2,535,371</u>
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the period	52,035	772,549	3,444	378	828,406
Reductions	(13,891)	(136,065)	-	(1,893)	(151,849)
Reclassification	(221)	-	-	-	(221)
Subsidiaries disposals	(101,365)	(168,568)	-	-	(269,933)
Effect of movement in exchange rates	(14,980)	(51,777)	-	(2)	(66,759)
Balance on June 30, 2021	<u>\$ 792,718</u>	<u>2,768,596</u>	<u>17,220</u>	<u>917</u>	<u>3,579,451</u>
Carrying value:					
Balance on January 1, 2022	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>-</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on June 30, 2022	<u>\$ 3,338,523</u>	<u>3,180,463</u>	<u>-</u>	<u>2,205</u>	<u>6,521,191</u>
Balance on June 30, 2021	<u>\$ 3,277,937</u>	<u>1,728,923</u>	<u>573</u>	<u>852</u>	<u>5,008,285</u>

(n) Investment property

Investment property is owned by the Group, and the movements were as follows:

	<u>Buildings</u>
Carrying value :	
Balance on January 1, 2022	<u>\$ 33,433</u>
Balance on June 30, 2022	<u>\$ 34,351</u>
Balance on January 1, 2021	<u>\$ 39,416</u>
Balance on June 30, 2021	<u>\$ 35,096</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) Rental income and direct operating expenses arising from investment property were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Rental income	\$ -	-	-	-
Direct operating expenses arising from investment property that generate rental income	\$ 783	710	1,554	1,433

- (ii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the fair value of investment property of the Group was \$76,412 thousand, \$77,660 thousand and \$75,388 thousand, respectively. The fair value has not been valued by independent appraisers, but only by the management of the merged company according to the third level input value using the evaluation model which is commonly used by market participants, with the transaction amount based on the nearby real estate price.
- (iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the six months ended June 30, 2022 and 2021. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2021 for other related information.
- (iv) As of June 30, 2022, December 31, 2021 and June 30, 2021, the aforesaid investment properties were not pledged as collateral.

- (o) Intangible assets

The movements in the costs, amortization, and impairment loss of the Group were as follows:

	Goodwill	Others	Total
Costs:			
Balance on January 1, 2022	\$ 1,640,132	997,715	2,637,847
Additions	-	96,091	96,091
Disposals	-	(513,554)	(513,554)
Reclassifications	-	(9,000)	(9,000)
Effect of movement in exchange rates	71,212	26,103	97,315
Balance on June 30, 2022	<u>\$ 1,711,344</u>	<u>597,355</u>	<u>2,308,699</u>
Balance on January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	98,219	98,219
Disposals	-	(68,135)	(68,135)
Reclassifications	-	(472)	(472)
Subsidiaries disposals	-	(340,638)	(340,638)
Effect of movement in exchange rates	(22,037)	(10,647)	(32,684)
Balance on June 30, 2021	<u>\$ 1,646,506</u>	<u>1,058,498</u>	<u>2,705,004</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Amortization and impairment losses:			
Balance on January 1, 2022	\$ 1,600,097	829,564	2,429,661
Amortization for the period	-	76,271	76,271
Impairment losses	-	1,624	1,624
Disposals	-	(513,554)	(513,554)
Effect of movement in exchange rates	<u>68,375</u>	<u>25,485</u>	<u>93,860</u>
Balance on June 30, 2022	<u>\$ 1,668,472</u>	<u>419,390</u>	<u>2,087,862</u>
Balance on January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	75,737	75,737
Disposals	-	(67,565)	(67,565)
Reclassifications	-	14	14
Subsidiaries disposals	-	(136,757)	(136,757)
Effect of movement in exchange rates	<u>(21,159)</u>	<u>(11,569)</u>	<u>(32,728)</u>
Balance on June 30, 2021	<u>\$ 1,606,217</u>	<u>894,223</u>	<u>2,500,440</u>
Carrying value:			
Balance on January 1, 2022	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>
Balance on June 30, 2022	<u>\$ 42,872</u>	<u>177,965</u>	<u>220,837</u>
Balance on January 1, 2021	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on June 30, 2021	<u>\$ 40,289</u>	<u>164,275</u>	<u>204,564</u>

(i) Goodwill impairment

For the purpose of impairment testing, goodwill was allocated to the Group's cash-generating units (CGU), such as consumer electronics and others, as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Consumer electronics	\$ 38,514	39,646
Others	<u>1,521</u>	<u>1,521</u>
	<u>\$ 40,035</u>	<u>41,167</u>

For the six months ended June 30, 2022 and 2021, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(o) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Other financial assets and other assets

Other financial assets and other assets were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Other financial assets - current	\$ 14,400,955	30,316,944	24,678,558
Other financial assets - non-current	400,238	406,576	11,533,063
Other current assets	5,777,409	4,615,086	4,606,827
Other non-current assets	49,482	50,033	34,592
	<u>\$ 20,628,084</u>	<u>35,388,639</u>	<u>40,853,040</u>

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, callable bonds and guarantee deposits. Please refer to Note 8 for details.
- (ii) Other current assets consisted of prepayments, current tax asset, rights to the returned goods and others.
- (iii) Other non-current assets consisted of prepayments on other long-term expenses and others.

(q) Short-term loans

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	\$ 105,293,887	91,808,664	110,114,964
Other unsecured loans	2,377,760	2,214,640	2,229,240
Total	<u>\$ 107,671,647</u>	<u>94,023,304</u>	<u>112,344,204</u>
Range of interest rate	<u>0.38%~4.52%</u>	<u>0.32%~4.54%</u>	<u>0.32%~2.59%</u>

Please refer to Note 8 for the details of related assets pledged as collateral.

(r) Long-term loans

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	\$ 14,130,408	13,183,370	16,288,986
Secured bank loans	273,139	54,001	48,957
	14,403,547	13,237,371	16,337,943
Less: current portion	(1,741,527)	(1,026,949)	(5,815,858)
Total	<u>\$ 12,662,020</u>	<u>12,210,422</u>	<u>10,522,085</u>
Range of interest rate	<u>0.35%~3.06%</u>	<u>0.35%~1.90%</u>	<u>0.35%~1.90%</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$1,415,998 thousand and \$5,735,297 thousand for the six months ended June 30, 2022 and 2021, respectively. In addition, the Group proceeded from long-term loans of \$2,508,166 thousand and \$5,308,148 thousand for the six months ended June 30, 2022 and 2021, respectively. Please refer to Note 6(ac) for interest expenses.

(ii) Collateral for bank loans

Please refer to Note 8 for the details of related assets pledged as collateral.

(iii) Government low-interest loan

The Group obtained government low-interest loans. The loans were measured at its fair value by applying the market interest rate. The deferred differences between the amounts paid and the fair value were classified as other current liabilities and other non-current liabilities, respectively.

(iv) Loan covenants

On January 30, 2015, CASETEK CAYMAN signed a USD300,000 thousand worth of credit facility in the form of credit loan with multiple banks, respectively. According to the credit loan facility agreements, during the loan repayment periods, CASETEK CAYMAN must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements.

The compliance with the aforesaid covenants will be examined annually based on the audited CASETEK CAYMAN annual consolidated financial statements.

The above joint credit line was cancelled on September 2021.

(s) Bonds payable

The Group's unsecured ordinary corporate bonds were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Ordinary corporate bonds issued	\$ 36,900,000	36,900,000	28,000,000
Unamortized discount on bonds payable	(26,707)	(30,405)	(23,484)
Bonds payable, end of the year	36,873,293	36,869,595	27,976,516
Less: current portion	(6,500,000)	(2,000,000)	-
	<u>\$ 30,373,293</u>	<u>34,869,595</u>	<u>27,976,516</u>

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest expense	<u>\$ 72,040</u>	<u>59,300</u>	<u>143,288</u>	<u>117,605</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2017, and repaid in January 2021, were as follows:

Item	2nd unsecured ordinary bonds issued in 2017
1. Issuing amount	The Bonds are issued at \$8,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000 thousand, \$4,500,000 thousand and \$2,500,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.
5. Coupon rate	Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively.
6. Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2020 and exercised from January 2021, were as follows:

Item	2nd unsecured ordinary bonds issued in 2020
1. Issuing amount	The Bonds are issued at \$3,500,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 thousand and \$1,300,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.
6. Repayment	Tranche A, and Tranche B are repayable on maturity.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>2nd unsecured ordinary bonds issued in 2020</u>
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

There were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2022. Please refer to Note 6(s) of the 2021 annual consolidated financial statements for other related information.

(t) Lease liabilities

The Group's lease liabilities were as follows:

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Current	\$ <u>1,378,052</u>	<u>1,067,674</u>	<u>944,823</u>
Non-current	\$ <u>1,886,600</u>	<u>2,003,326</u>	<u>858,085</u>

Please refer to Note 6(ae) for maturity analysis.

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>27,701</u>	<u>17,297</u>	<u>56,238</u>	<u>42,714</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>10,164</u>	<u>10,918</u>	<u>20,850</u>	<u>21,703</u>
Income from sub-leasing right-of-use assets	\$ <u>115</u>	<u>-</u>	<u>115</u>	<u>212</u>
Expenses relating to short-term leases	\$ <u>63,973</u>	<u>95,242</u>	<u>155,162</u>	<u>196,287</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>609</u>	<u>926</u>	<u>1,458</u>	<u>8,374</u>
Covid-19 - related rent concessions	\$ <u>-</u>	<u>(393)</u>	<u>238</u>	<u>14</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amount recognized in the statement of cash flows for the Group was as follows:

	For the six months ended June 30	
	2022	2021
Total cash outflow for leases	\$ 960,926	1,038,241

The Group leases land, buildings, machinery equipment and transportation equipment. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. According to the lease contracts, some leases shall not be rent, sub-leased or by any other means totally or partially transferred to third parties, unless obtain the lessor's approval. Some leases do not contain renewal option, and no restrictions were disposed in the contracts. Some leases provide for additional rent payments that are based on changes in the facts or circumstances after the lease commencement date.

The Group leases employees' dormitories, parking lots and other equipment that are short-term or leases of low-value items. The Group has chosen to apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(u) Employee benefits

(i) Defined benefit plans

Management believes that there was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating cost	\$ 1,746	21	1,772	45
Operating expense	1,337	1,218	2,391	2,432
	\$ 3,083	1,239	4,163	2,477

(ii) Defined contribution plans

The contributions of the Group Bureau of Labor Insurance and the China Labor and Social Security Bureau for the employees' pension expenses recognized by the subsidiaries included in the consolidated preparation were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating cost	\$ 1,114,657	810,331	2,162,925	1,559,665
Operating expense	204,124	186,193	404,468	370,550
	\$ 1,318,781	996,524	2,567,393	1,930,215

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had liabilities of short-term accrued vacation pay, amounting to \$386,687 thousand, \$367,414 thousand and \$349,190 thousand, respectively.

(v) Income tax

(i) Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 “Interim Financial Reporting.”

(ii) The components of income tax expense (benefit) were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current income tax expense (benefit)				
Current period incurred	\$ 2,105,858	1,709,971	2,733,500	347,052
Prior years income tax adjustment	(89,687)	(82,876)	(89,488)	(87,387)
Income tax expense	<u>\$ 2,016,171</u>	<u>1,627,095</u>	<u>2,644,012</u>	<u>259,665</u>

(iii) The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>\$ (5,493)</u>	<u>(4,009)</u>	<u>(4,719)</u>	<u>(20,933)</u>

(iv) Status of approval of income tax

- 1) The Company’s income tax returns through 2019 have been assessed and approved by the Tax Authority (the year 2018 has not been approved).
- 2) The tax returns of the Group’s subsidiaries approved by the Tax Authority were as follows:

<u>Years of Approval</u>	<u>Company Name</u>
2019	RI KUAN METAL CORPORATION, KINSUS INTERCONNECT TECHNOLOGY CORP, ASRock Rack Incorporation, FUYANG TECHNOLOGY CORPORATION and PEGAVISION.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Years of Approval</u>	<u>Company Name</u>
2020	BeautyTech Platform Corporation, ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL LIMITED, HUA-YUAN INVESTMENT LTD, AMA PRECISION, STARLINK ELECTRONICS CORPORATION, AS FLY TRAVEL SERVICE LIMITED, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES INC, EZWAVE TECHNOLOGIES INC, KINSUS INVESTMENT, ASROCK INCORPORATION, ASROCK INDUSTRIAL COMPUTER CORPORATION and LUMENS OPTICS.

(w) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the six months ended June 30, 2022 and 2021. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

For the six months ended June 30, 2021, the Company issued 7,574 thousand restricted shares of stock to the employees at par value of \$10, amounting to \$75,740 thousand. The registration procedures have since been completed, and all the shares issued have been collected. For relevant information, please refer to Note 6(x).

For the six months ended June 30, 2022 and 2021, the Company had retired 678 thousand and 86 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,668,453 thousand, 2,669,132 thousand and 2,662,788 thousand common shares of stock, as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. All share proceeds from outstanding capital have been collected.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the restricted Company shares of stock issued to employees have expired, of which 527 thousand, 256 thousand and 831 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Company has listed, in total, 225 thousand, 253 thousand and 700 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,126 thousand, 1,267 thousand and 3,500 thousand shares of stock, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Capital surplus

The components of the capital surplus were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
From issuance of share capital	\$ 67,080,420	66,983,778	66,409,396
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	83,736	20,862	-
Changes in ownership interest in subsidiaries	1,438,668	1,441,117	1,441,839
Employee stock options	6,094	1,304	1,304
Restricted stock to employees	1,071,449	1,069,401	1,389,748
Other	409,917	409,917	409,917
	<u>\$ 83,485,213</u>	<u>83,321,308</u>	<u>83,047,133</u>

(iv) Retained earnings

The Company's Articles of Incorporation require that after tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to a resolution of a shareholder's meeting.

According to the R.O.C. Company Act, the Company should distribute dividends and bonus, or all or part of the legal reserve and capital surplus, stipulated by the Company Act, as cash dividends based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, dividend distributions should not be less than 10% of distributable earnings. The Company distributes dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

When a company incurs profit, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, of up to 25% of the actual share capital.

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On June 15, 2022, and August 4, 2021, the Company's shareholders' meeting resolved to appropriate the 2021 and 2020 earnings, respectively. These earnings were appropriated or distributed as follows:

	For the year ended December 31	
	2021	2020
Common stock dividends per share (dollars)		
— Cash	\$ 5.00	4.50

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	8,835,766	-	-	8,835,766
Exchange differences on associates accounted for using the equity method	479,451	-	-	479,451
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(308,086)	-	(308,086)
Deferred compensation cost arising from issuance of restricted stock	-	-	253,913	253,913
Balance on June 30, 2022	\$ (12,048,410)	136,692	(458,788)	(12,370,506)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operations	(2,624,009)	-	-	(2,624,009)
Exchange differences on associates accounted for using the equity method	(378,430)	-	-	(378,430)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	67,932	-	67,932
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(17,041)	-	(17,041)
Deferred compensation cost arising from issuance of restricted stock	-	-	247,603	247,603
Balance on June 30, 2021	<u>\$ (20,643,516)</u>	<u>(6,418)</u>	<u>(899,056)</u>	<u>(21,548,990)</u>

(vi) Non-controlling interests (net of tax)

	For the six months ended June 30	
	2022	2021
Balance on January 1	\$ 27,662,332	36,345,941
Income attributable to non-controlling interests	3,135,571	1,676,923
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operation	254,469	(67,800)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,991,358
Changes in ownership interest in subsidiaries	(2,341)	(10,329)
Changes in non-controlling interests	(2,281,513)	(15,253,493)
Balance on June 30	<u>\$ 28,768,518</u>	<u>24,682,600</u>

(x) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the six months ended June 30, 2022 and 2021. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(i) Restricted stock to employee

For the six months ended June 30, 2022 and 2021, 949 thousand and 917 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$9,494 thousand and \$9,110 thousand, respectively. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Company has deferred compensation cost arising from issuance of restricted stock of \$458,788 thousand, \$712,701 thousand and \$899,056, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months and the six months ended June 30, 2022 and 2021 as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expenses resulting from the issuance of restricted employee stock	<u>\$ 151,253</u>	<u>239,803</u>	<u>320,718</u>	<u>465,043</u>

(y) Subsidiary's share-based payments

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended June 30, 2022 and 2021. For the related information, please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2021.

(i) Restricted stock to employee of AZUREWAVE

A resolution was decided during the shareholders meeting held on July 15, 2021 to award 3,000 thousand new shares of restricted stock to those full-time employees who meet AZUREWAVE's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On November 10, 2021, the board of directors issued all the restricted stock, with the fair value on the grant date of \$26.95 dollars per share. The record date for the capital increase through issuance of restricted shares of stock was January 3, 2022.

The issuance of employee restricted stock awards was made free of charge for employees that continue to work for AZUREWAVE for three more years. 20%, 40% and 40% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by AZUREWAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the employee does not fulfill the vesting conditions, AZUREWAVE has the rights to recall the shares without cost.

On March 7 and May 11, 2022, AZUREWAVE approved to retire and cancel 45 thousand shares and 531 thousand shares of restricted employee stocks, with the record date set on March 15 and May 11, 2022, due to those employees who did not meet the vesting condition for the six months ended June 30, 2022.

For the six months ended June 30, 2022, AZUREWAVE recognized share-based compensation cost of \$9,676 thousand and \$19,032 thousand, due to the issuance of restricted employee stock.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Restricted stock to employee of ASROCK

1) ASROCK

On August 20, 2021, the shareholders of ASROCK approved a resolution passed during their meeting to award 2,300 thousand new restricted shares of stock to those full-time employees who meet certain requirement of ASROCK. The restricted shares of stock totaling 2,300 thousand shares have been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On October 28, 2021, 2,283 thousand shares were actually issued for such award with fair value of \$145(dollars) each at grant date.

Employees who have been allocated the above-mentioned new restricted shares of stock to employee can subscribe for the allocated shares for \$10 and obtain them in batches in accordance with the following established conditions:

A. The overall performance of the company:

- a. The EPS of the company in the previous year is higher than 10, with an overall weight of 100%.
- b. The EPS of the company in the previous year is between 7.5 and 10, with an overall weight of 50%.
- c. The EPS of the company in the previous year is less than 7.5, without any overall weight.

B. Personal performance:

- a. The mid-year assessment is A or above (including A), with a personal weight of 100%.
- b. The mid-year assessment is between B+~A (excluding A), with a personal weight of 80%.
- c. The mid-year assessment is between B~B+ (excluding B+), with a personal weight of 60%.
- d. The mid-year assessment is C, without any personal weight.

C. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after one year, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- D. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after two years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- E. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after three years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

The restricted stock is kept by a trust, which is appointed by ASROCK, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employee was follows:

Vesting period	Restricted stock to employee			
	Year 1	Year 2	Year 3	Total
Original vested shares (In thousands of units)	913	685	685	2,283
Operating performance issue ratio	99.72 %	94.92 %	90.86 %	
Estimated employee turnover rate	9.45 %	16.03 %	20.00 %	
Qualified rate of performance	76.92 %	76.92 %	76.92 %	
Vested shares (In thousands of units)	634	420	383	1,437
Fair value (dollars)	145	145	145	
Service costs	\$ 85,627	56,687	51,696	194,010

The new shares issued by ASROCK that restrict the rights of employees cannot be transferred within three years of the vesting period, but they still have the right to vote and distribute dividends. Once the employee with an allocation of new restricted shares of stock to employee leaves during the vesting period, he must return all the restricted employee stocks.

2) **ASROCK RACK INCORPORATION**

On February 27, 2019, the board of ASROCK RACK INCORPORATION approved to award 1,490 thousand new restricted shares of stock to those fulltime employees who meet certain requirement of ASROCK RACK INCORPORATION. On March 4, 2019, 1,490 thousand shares were actually issued for such award with fair value of \$5.53 (dollars) per share at the grant date.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for three years, 50% of the restricted shares of stock are vested in year 3, which started at the grant date. During the service, employees cannot violate the law, code of conduct, code of business ethics conduct, etc. Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for four years, residual 50% of the restricted shares of stock is vested in year 4, which started at the grant date. Meanwhile, during the service, employees cannot violate the law, code of conduct, code of business ethics conduct etc. The restricted stock is kept by a trust, which is appointed by ASROCK RACK INCORPORATION, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employee was as follows:

Vesting period	Restricted stock to employee				Total
	year 1	year 2	year 3	year 4	
Original vested shares (In thousands of units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	14.19 %	20.00 %	
Vested shares after considering employee turnover rate (In thousands of units)	-	-	639	596	1,235
Fair value (dollars)	-	-	5.53	5.53	
Service costs	\$ -	-	3,535	3,296	6,831

On May 29, 2020 and June 30, 2022, the board of ASROCK RACK INCORPORATION approved a resolution passed during their meeting to award 1,500 thousand and 2,300 thousand employee stock option. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK and ASROCK RACK INCORPORATION. Duration is 18 months and 42 months. One year and two year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the options are \$22 (dollars) per share. After the issuance of the options, if ASROCK RACK INCORPORATION has changed the total amount of the common shares, the price would be changed.

The fair value of the options is evaluated according to the binomial option pricing model, and the parameters and assumptions are based on the terms and conditions of the contract.

Grant date	Total shares issued (In thousands of shares)	Exercise price per share(dollars)
May 29, 2020	1,500	\$22
June 30, 2022	2,300	\$22

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The assumptions and pricing model adopted in the aforesaid share-based payments were as follows:

	For the year ended December 31	
	2020	2022
Expected volatility rate	30.95%	41.16%~44.34%
Risk-free interest rate	0.2763%	0.9867%~1.0237%
Expected duration of option	1.5 years	2.5~3.5 years
Weighted average stock price (dollars)	\$11.72	\$13.74
Pricing model	Binomial options pricing model	Binomial options pricing model

Expected duration period of option was estimated by historical data and current expectation. Consequently, it might not equal to actual implement situation. Expected volatility rate assumed that historical volatility close to the duration period of the option represents future trend. Hence, it might not equal the actual ratio in the future.

The aforesaid information on the employee stock option was as follows:

	For the six months ended June 30			
	2022		2021	
	Outstanding number of options	Weighted average exercise price (dollars)	Outstanding number of options	Weighted average exercise price (dollars)
May 29, 2020				
Outstanding as of January 1 (In thousand units)	-	\$ -	1,500	\$ 22
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Outstanding as of June 30 (In thousand units)	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>22</u>
Exercisable as of June 30 (In thousand units)	<u>-</u>		<u>1,500</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>\$ -</u>	

As of June 30, 2022 and 2021, related information about outstanding options on the share-based payments was as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
June 30, 2022		
Outstanding option	\$ -	-
June 30, 2021		
Outstanding option	\$ 22	0.42

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>June 30, 2022</u>	<u>For the six months ended June 30, 2022</u>	
	<u>Outstanding number of options</u>	<u>Weighted average exercise price (dollars)</u>
Outstanding as of January 1 (In thousand units)	-	\$ -
Granted during the period	2,300	22
Exercised during the period	-	-
Forfeited during the period	-	-
Outstanding as of Jun 30 (In thousand units)	<u>2,300</u>	22
Exerisable as of June 30 (In thousand units)	<u>-</u>	
Weighted average fair value of the option granted	<u>\$ 1.59</u>	

As of June 30, 2022, related information about outstanding options on the share-based payment was as follow:

	<u>Exercise price (dollars)</u>	<u>Weighted average residual duration (years)</u>
June 30, 2022		
Outstanding option	\$ 22	3.5

3) **ASROCK INDUSTRIAL COMPUTER CORPORATION**

On January 15, 2019, and April 20, 2021, the board of ASROCK INDUSTRIAL COMPUTER CORPORATION approved a resolution passed during their meeting to award 1,500 thousand and 2,200 thousand employee stock options, respectively. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK INDUSTRIAL COMPUTER CORPORATION. Duration is 30 and 42 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$10 (dollars) and \$12.5 (dollars) per share. After the issue of the options on January 15, 2019, even if ASROCK INDUSTRIAL COMPUTER has changed the total amount of the common shares, the price would not be changed. After the issue of the options on April 20, 2021, the price would be changed if ASROCK INDUSTRIAL COMPUTER has changed the total amount of the common shares.

The fair value of the options is evaluated according to the binomial option pricing model, and the parameters and assumptions are based on the terms and conditions of the contract.

<u>Grant date</u>	<u>Total shares issued (In thousands of shares)</u>	<u>Exercise price per share (dollars)</u>
January 15, 2019	1,500	\$10.0
April 20, 2021	2,200	\$12.5

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The assumptions and pricing model adopted in the aforesaid share-based payments were as follows:

	<u>January 15, 2019</u>	<u>April 20, 2021</u>
Expected volatility rate	31.74%	29.61%~31.19%
Risk-free interest rate	0.5741%	0.1185%~0.2523%
Expected duration of option	3 years	1.5~3.5 years
Weighted average stock price (dollars)	\$8.10	\$12.49
Pricing model	Binomial options pricing model	Binomial options pricing model

Expected duration period of option was estimated by historical data and current expectation. Consequently, it might not equal to actual implement situation. Expected volatility rate assumed that historical volatility close to the duration period of the option represents future trend. Hence, it might not equal the actual ratio in the future.

The aforesaid information on the employee stock option was as follows:

	<u>For the six months ended June 30</u>			
	<u>2022</u>		<u>2021</u>	
<u>January 15, 2019</u>	<u>Outstanding number of options</u>	<u>Weighted average exercise price (dollars)</u>	<u>Outstanding number of options</u>	<u>Weighted average exercise price (dollars)</u>
Outstanding as of January 1 (In thousand units)	-	\$ -	750	\$ 10
Granted during the period	-	-	-	-
Exercised during the period	-	-	(613)	10
Outstanding as of June 30 (In thousand units)	<u>-</u>	<u>-</u>	<u>137</u>	<u>10</u>
Exercisable as of June 30 (In thousand units)	<u>-</u>		<u>137</u>	
Weighted average fair value of the options granted (dollars)	<u>\$ -</u>		<u>\$ -</u>	

As of June 30, 2022 and 2021, related information about outstanding options on the share-based payments was as follows:

	<u>Exercise price (dollars)</u>	<u>Weighted average residual duration (years)</u>
June 30, 2022		
Outstanding option	\$ -	-
June 30, 2021		
Outstanding option	\$ 10	0.04

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30			
	2022		2021	
April 20, 2021	Outstanding number of options	Weighted average exercise price (dollars)	Outstanding number of options	Weighted average exercise price (dollars)
Outstanding as of January 1 (In thousand units)	2,200	\$ 12.5	-	\$ -
Granted during the period	-	-	2,200	14.5
Exercised during the period	-	-	-	-
Outstanding as of June 30 (In thousand units)	<u>2,200</u>	12.5	<u>2,200</u>	14.5
Exercisable as of June 30 (In thousand units)	<u>-</u>	-	<u>-</u>	-
Weighted average fair value of the options granted (dollars)	<u>\$ -</u>		<u>1.29</u>	

As of June 30, 2022 and 2021, the related information about outstanding options on the share-based payments was as follows:

	Exercise price (Note) (dollars)	Weighted average residual duration (years)
June 30, 2022		
Outstanding option	\$12.5	2.3
June 30, 2021		
Outstanding option	\$14.5	3.3

Note: After the issuance of the stock option, in addition to the exchange of various securities, with ordinary share conversion rights, issued by ASROCK INDUSTRIAL COMPUTER CORPORATION, or stock options for the exchange of ordinary shares, or the issuance of new shares as employee stock option, both of the following situations may occur:

- ASROCK INDUSTRIAL COMPUTER CORPORATION will increase its ordinary shares (i.e. the handling of private placement, increase of cash capital, capital increase out of earnings, capital increase out of capital surplus, issuance of shares due to company merger or transfer of shares to other company, company division, stock division, increase of cash capital by issuing depositary receipts, etc.)
- Adjustments will be made according to the issuance of ASROCK INDUSTRIAL COMPUTER CORPORATION employee stock option and in compliance with regulations, if the reduction of ordinary shares is due to capital reduction and not by cancellation of treasury shares, and the ratio of cash dividends to be issued to the current price of the ordinary shares exceeds 1.5%.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 4) ASROCK did not make any cancellation or amendment to share-based payment transactions for the six months ended June 30, 2022 and 2021.
- 5) The expenses resulting from share-based payment transactions were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expense resulting from equity-settled share-based payment	\$ <u>34,497</u>	<u>796</u>	<u>70,737</u>	<u>1,213</u>

- (iii) Employee stock option of LUMENS DIGITAL OPTICS INC.

On March 11, 2021, the board of LUMENS DIGITAL OPTICS INC. (Lumens Optics.) approved a resolution during their meeting to issue 2 thousand shares for employee stock options. Each option certificate can purchase 1 thousand ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of Lumens Optics. Duration is 6 years. Two years after the issuance, the certificate owners can exercise the option certificates. On September 15, 2021, Lumens Optics. issued 1,613 thousand of employee stock options.

<u>Granted stock options</u>	<u>Accumulated exercisable stock option(%)</u>
2 years from grant date	30%
3 years from grant date	70%
4 years from grant date	100%

- 1) Determining the fair value of equity instruments at grant date

LUMENS DIGITAL OPTICS INC. adopted the Black-scholes pricing model to calculate the fair value of the stock option at grant date, is between \$23.63 dollars and \$25.22 dollars, the assumptions inputs in this valuation model were as follows:

	<u>For the six months ended June 30, 2022</u>
Fair value at grant date	\$ 97.7
Stock price at grant date	\$ 112.2
Exercise price (dollars)	\$ 78.6
Expected volatility rate	31.44%
Risk-free interest rate	0.3%
Expected duration of option	4.56 years
Weighted average stock price	4.04%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Employee stock options

The aforesaid information on the employee stock option was as follows:

	<u>For the six months ended June 30, 2022</u>	
	<u>Weighted-average exercise price (dollars)</u>	<u>Units of stock option</u>
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,613
Granted during the period	-	-
Outstanding as of June 30 (In thousand units)	78.6	<u>1,613</u>
Exercisable as of June 30 (In thousand units)	-	<u>-</u>

The related information about outstanding options on the share-based payments was as follows:

	<u>June 30, 2022</u>
Exercise price (dollars)	\$78.6
Weighted average residual duration	4.56 years

3) Expenses resulting from share-based payment

	<u>For the three months ended June 30, 2022</u>	<u>For the six months ended June 30, 2022</u>
Expenses resulting from employee stock option	<u>\$ 3,540</u>	<u>7,079</u>

4) Lumens Optics. did not make any cancellation or amendment to share-based payment transactions for the six months ended June 30, 2022.

(iv) Compensated restricted stock to employee of KINSUS

- 1) On May 29, 2018, the shareholders meeting approved to issue 5,500 thousand shares of restricted employee stock for certain requirement employee, with the approval from the Securities and Futures Bureau. On July 30, 2018, the board of KINSUS approved to issue 4,947 thousand shares of restricted stock, with the record date for the capital increase on August 28, 2018. However, only 4,841 thousand shares were actually issued, with a fair value of \$49.1 (dollars) per share at the grant date.

On February 18, 2019, the board of KINSUS approved to issue 659 thousand shares of restricted stock, with the record date for the capital increase on March 18, 2019. However, only 599 thousand shares were actually issued, with a fair value of \$43.45 (dollars) per share at the grant date.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Employees with restricted stock awards are entitled to purchase shares at the price of \$10 per share, and the vesting conditions were as follows:

<u>Vesting conditions</u>	<u>Percentage of vesting shares</u>
One month from grant date	20 %
April 25, 2019	20 %
September 25, 2019	15 %
April 25, 2020	15 %
September 25, 2020	15 %
April 25, 2021	15 %

The restricted obligation before vested was as follows:

- a) The restricted stock is kept by a trust before being vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period.
- b) Upon the issuance of the restricted stock, it shall be kept by a trust immediately. Before the vesting conditions have been met, there shall not be any reason or way to request trustee returning the restricted stock.
- c) The restricted stock can participate in the distribution of cash dividend and stock dividend in the vesting period.
- d) The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations.

On August 28, 2018, KINSUS issued 4,841 thousand shares of new employee restricted stock, and incurred 184,530 thousand to capital surplus, of restricted stock of KINSUS. As of June 30, 2022, 544 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,442 thousand. Subsequently, as of June 30, 2022, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396 thousand. As of June 30, 2022, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$513 thousand. As of June 30, 2022, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) The expenses resulting from the share-based payment transactions were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expenses resulting from equity-settled share-based payment	\$ -	1,571	-	3,836

- 3) KINSUS did not make any cancellation or amendment to share-based payment transactions for the six months ended June 30, 2022 and 2021.

- (z) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Basic earnings per share				
Profit attributable to ordinary shareholders	\$ <u>3,115,905</u>	<u>5,343,765</u>	<u>4,783,330</u>	<u>10,016,265</u>
Weighted-average number of ordinary shares	<u>2,668,085</u>	<u>2,663,920</u>	<u>2,668,360</u>	<u>2,663,389</u>
	\$ <u>1.17</u>	<u>2.01</u>	<u>1.79</u>	<u>3.76</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ <u>3,115,905</u>	<u>5,343,765</u>	<u>4,783,330</u>	<u>10,016,265</u>
Weighted-average number of ordinary shares	2,668,085	2,663,920	2,668,360	2,663,389
Effect of potentially dilutive ordinary shares	<u>7,561</u>	<u>11,817</u>	<u>16,442</u>	<u>22,030</u>
Weighted-average number of ordinary shares (diluted)	<u>2,675,646</u>	<u>2,675,737</u>	<u>2,684,802</u>	<u>2,685,419</u>
	\$ <u>1.16</u>	<u>2.00</u>	<u>1.78</u>	<u>3.73</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended June 30, 2022			
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 119,613,268	731,421	120,344,689
U.S.A.	99,901,250	4,658,392	104,559,642
Taiwan	23,333,523	3,925,115	27,258,638
China	5,958,995	7,078,490	13,037,485
Japan	2,387,847	812,241	3,200,088
Other countries	14,971,156	285,819	15,256,975
	<u>\$ 266,166,039</u>	<u>17,491,478</u>	<u>283,657,517</u>
For the three months ended June 30, 2021			
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 126,873,636	1,243,841	128,117,477
U.S.A.	84,275,452	4,358,188	88,633,640
Taiwan	22,688,504	4,029,551	26,718,055
China	5,229,618	7,510,263	12,739,881
Japan	2,725,850	619,876	3,345,726
Other countries	12,044,505	677,596	12,722,101
	<u>\$ 253,837,565</u>	<u>18,439,315</u>	<u>272,276,880</u>
For the six months ended June 30, 2022			
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 267,346,984	1,936,479	269,283,463
U.S.A.	209,188,561	8,543,232	217,731,793
Taiwan	49,658,733	7,957,608	57,616,341
China	13,078,300	14,299,831	27,378,131
Japan	4,336,270	1,655,552	5,991,822
Other countries	28,886,496	594,010	29,480,506
	<u>\$ 572,495,344</u>	<u>34,986,712</u>	<u>607,482,056</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2021		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 210,691,911	7,284,754	217,976,665
U.S.A.	153,755,915	9,484,222	163,240,137
Taiwan	40,466,694	7,310,580	47,777,274
China	9,524,088	16,680,419	26,204,507
Japan	7,382,997	1,107,792	8,490,789
Other countries	24,068,404	1,140,731	25,209,135
	\$ 445,890,009	43,008,498	488,898,507

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 2,969	14,952	9,889
Accounts receivable	189,324,616	249,637,569	161,467,510
Less: Allowance for impairment	118,088	119,064	199,888
Total	\$ 189,209,497	249,533,457	161,277,511
Contract liabilities	\$ 2,225,180	1,475,626	1,400,829

Please refer to Note 6(d) for the details on accounts receivable and allowance for impairment.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the six months ended June 30, 2022 and 2021.

(ab) Remunerations to employees and directors

In accordance with the articles of incorporation the Company should contribute no less than 7% of the profit as employee compensation and less than 0.7% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months and the six months ended June 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$300,000 thousand, \$426,000 thousand, \$431,000 thousand and \$813,000 thousand, and directors' remuneration amounting to \$30,000 thousand, \$42,000 thousand, \$42,000 thousand and \$80,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during the six months ended June 30, 2022 and 2021. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors.

For the years ended December 31, 2021 and 2020, the Company had accrued remuneration of employees of \$1,605,000 thousand and \$1,633,000 thousand, respectively, and remuneration of directors of \$159,000 thousand and \$162,000 thousand, respectively. There was no difference between the amounts approved in the Board of Directors meeting. For further information, please refer to Market Observation Post System.

(ac) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest income from bank deposits	\$ <u>387,728</u>	<u>443,024</u>	<u>782,359</u>	<u>837,066</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Subsidy income	\$ 775,394	1,227,742	1,756,591	1,425,005
Rent income	113,316	163,090	307,296	294,628
Technical service income	142,839	151,259	240,254	271,890
Other income	<u>192,774</u>	<u>360,559</u>	<u>469,491</u>	<u>416,288</u>
	\$ <u>1,224,323</u>	<u>1,902,650</u>	<u>2,773,632</u>	<u>2,407,811</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gains (loss) on disposals of investment	\$ -	(33,477)	-	3,983,749
Foreign exchange gains (loss)	(631,257)	1,013,786	(545,999)	1,462,649
Gains on disposal of property, plant and equipment	166,689	899	244,209	429,164
Gains(loss) on lease modifications	103,368	(487)	108,996	799
Impairment loss on non-financial assets	(8,581)	(7,658)	(17,374)	(7,418)
Net loss (gain) on financial assets measured at fair value through profit or loss	(384,908)	2,080,966	(3,720,253)	(1,516,431)
Miscellaneous disbursements	<u>(236,147)</u>	<u>(72,378)</u>	<u>(320,296)</u>	<u>(83,208)</u>
	<u>\$ (990,836)</u>	<u>2,981,651</u>	<u>(4,250,717)</u>	<u>4,269,304</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expenses	\$ 400,762	270,408	653,155	560,813
Financial expense- bank fees and factoring fees, etc.	<u>3,667</u>	<u>1,935</u>	<u>7,464</u>	<u>5,196</u>
	<u>\$ 404,429</u>	<u>272,343</u>	<u>660,619</u>	<u>566,009</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Reclassification adjustments of components of other comprehensive income

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cumulative adjustment				
Cumulative foreign exchange differences from current period	\$ 4,171,055	(2,829,660)	9,090,235	(2,968,604)
Share of other associates accounted for using equity method	(398,428)	(148,432)	479,451	(378,430)
Reclassification to profit or loss on the disposal of subsidiaries	-	(2,326)	-	276,795
Net change in fair value recognized in other comprehensive income	<u>\$ 3,772,627</u>	<u>(2,980,418)</u>	<u>9,569,686</u>	<u>(3,070,239)</u>

(ae) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of June 30, 2022, December 31, 2021 and June 30, 2021, the accounts receivable from the Group's top three customers were amounted to \$138,568,641 thousand, \$195,354,058 thousand and \$113,784,553 thousand, representing 73%, 78% and 70% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Credit risk of accounts receivable

For credit risk exposure of notes and accounts receivables, please refer to Note 6(d).

Other financial assets at amortized cost includes other receivables and time deposits, etc.

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision for the six months ended June 30, 2022 and 2021 was determined as follows:

	Other receivables
Balance on January 1, 2022	\$ 16,438
Reversal of impairment loss recognized	(265)
Effect of movement in exchange rates	340
Balance on June 30, 2022	\$ 16,513
Balance on January 1, 2021	\$ 18,871
Impairment loss recognized	5,072
Effect of movement in exchange rates	(6,112)
Effect of disposals of subsidiaries	(1,898)
Balance on June 30, 2021	\$ 15,933

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments and the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
June 30, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 273,139	273,139	1,167	1,716	270,256
Unsecured bank loans	119,424,295	119,498,839	107,034,247	3,258,948	9,205,644
Other unsecured loans	2,377,760	2,377,760	2,377,760	-	-
Unsecured ordinary corporate bonds	36,873,293	36,900,000	6,500,000	6,000,000	24,400,000
Non-interest bearing liabilities	226,011,351	226,011,351	223,738,827	2,272,524	-
Lease liabilities	3,264,652	3,264,652	1,378,052	863,464	1,023,136
	\$ 388,224,490	388,325,741	341,030,053	12,396,652	34,899,036
December 31, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 54,001	54,001	292	2,020	51,689
Unsecured bank loans	104,992,034	105,091,062	92,835,321	2,549,033	9,706,708
Other unsecured loans	2,214,640	2,214,640	2,214,640	-	-
Unsecured ordinary corporate bonds	36,869,595	36,900,000	2,000,000	4,500,000	30,400,000
Non-interest bearing liabilities	302,817,234	302,817,234	300,608,617	2,208,617	-
Lease liabilities	3,071,000	3,071,000	1,067,674	1,253,877	749,449
	\$ 450,018,504	450,147,937	398,726,544	10,513,547	40,907,846

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
June 30, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 48,957	48,957	-	1,167	47,790
Unsecured bank loans	126,403,950	126,500,507	115,930,822	725,050	9,844,635
Other unsecured loans	2,229,240	2,229,240	2,229,240	-	-
Unsecured ordinary corporate bonds	27,976,516	28,000,000	-	6,500,000	21,500,000
Non-interest bearing liabilities	207,722,099	207,722,099	207,252,848	469,251	-
Lease liabilities	1,802,908	1,802,908	944,823	580,372	277,713
	<u>\$ 366,183,670</u>	<u>366,303,711</u>	<u>326,357,733</u>	<u>8,275,840</u>	<u>31,670,138</u>

The liquidity of the aforesaid bank loans, bonds payable, and lease liabilities does not include interest expense on cash outflow. The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exposure to foreign currency risk

The Group's significant exposures to currency risk were due from its foreign currency denominated financial assets and liabilities as follows:

(Unit: Foreign currency / NTD in Thousands)

	<u>June 30, 2022</u>			<u>June 30, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 12,718,724	29.7220	378,025,915	13,498,369	27.8655	376,138,801
USD:CNY	61,250	6.7114	1,820,471	1,959,235	6.4601	54,595,087
CNY:USD	6,118,354	0.1490	27,095,646	2,638,483	0.1548	11,381,039
<u>Non-monetary items</u>						
CNY:USD	5,410,145	0.1490	23,964,807	4,746,440	0.1548	20,665,143
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	12,731,995	29.7220	378,420,355	13,696,627	27.8655	381,663,360
USD:CNY	33,537	6.7114	996,786	284,609	6.4601	7,930,776
CNY:USD	3,476,605	0.1490	15,396,438	2,264,021	0.1548	9,765,805

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,473,725	27.6830	511,408,129
USD:CNY	77,155	6.3757	2,135,880
CNY:USD	5,772,908	0.1568	25,065,704
<u>Non-monetary items</u>			
CNY:USD	5,129,509	0.1568	22,272,009
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	19,096,257	27.6830	528,641,683
USD:CNY	162,064	6.3757	4,486,413
CNY:USD	3,483,471	0.1568	15,125,073

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the major foreign currency against the Group's functional currency as of June 30, 2022 and 2021 would have increased (decreased) the before-tax net income for the six months ended June 30, 2022 and 2021 by \$139,863 thousand and \$435,373 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and the six months ended June 30, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to (\$631,257) thousand, \$1,013,786 thousand, (\$545,999) thousand and \$1,462,649 thousand, respectively.

4) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments at the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year at the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$80,445 thousand and \$76,478 thousand for the six months ended June 30, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

<u>Equity price on reporting date</u>	For the six months ended June 30			
	2022		2021	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)
Increase 3%	\$ 34,392	240,105	30,099	285,412
Decrease 3%	\$ (34,392)	(240,105)	(30,099)	(285,412)

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	June 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,524,115	9,419,776	-	1,104,339	10,524,115
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 739,062	739,062	-	-	739,062
Stock of unlisted companies	151,187	-	-	151,187	151,187
Stock of overseas listed companies	209,932	209,932	-	-	209,932
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	166,358	-	-	166,358	166,358
Subtotal	\$ 1,312,763	948,994	-	363,769	1,312,763
Financial assets at amortized cost					
Cash and cash equivalents	\$ 96,884,617	-	-	-	-
Notes and accounts receivable	189,209,497	-	-	-	-
Other receivables	10,032,271	-	-	-	-
Other financial assets	14,801,193	-	-	-	-
Subtotal	\$310,927,578	-	-	-	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loans	\$ 119,697,434	-	-	-	-
Other loans	2,377,760	-	-	-	-
Non-interest bearing liabilities	226,011,351	-	-	-	-
Lease liabilities	3,264,652	-	-	-	-
Unsecured ordinary corporate bonds	<u>36,873,293</u>	-	-	-	-
Subtotal	<u>\$388,224,490</u>	-	-	-	-
	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>13,259,526</u>	<u>12,543,768</u>	-	<u>715,758</u>	<u>13,259,526</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	1,015,796	1,015,796	-	-	1,015,796
Stock of unlisted companies	147,786	-	-	147,786	147,786
Stock of overseas listed companies	241,285	241,285	-	-	241,285
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	<u>41,784</u>	-	-	<u>41,784</u>	<u>41,784</u>
Subtotal	<u>\$ 1,492,875</u>	<u>1,257,081</u>	-	<u>235,794</u>	<u>1,492,875</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 111,024,086	-	-	-	-
Notes and accounts receivable	249,533,457	-	-	-	-
Other receivables	9,628,610	-	-	-	-
Other financial assets	<u>30,723,520</u>	-	-	-	-
Subtotal	<u>\$400,909,673</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 105,046,035	-	-	-	-
Other loans	2,214,640	-	-	-	-
Non-interest bearing liabilities	302,817,234	-	-	-	-
Lease liabilities	3,071,000	-	-	-	-
Unsecured ordinary corporate bonds	<u>36,869,595</u>	-	-	-	-
Subtotal	<u>\$450,018,504</u>	-	-	-	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>12,074,835</u>	<u>11,603,873</u>	<u>-</u>	<u>470,962</u>	<u>12,074,835</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 531,198	531,198	-	-	531,198
Stock of unlisted companies	148,090	-	-	148,090	148,090
Stock of overseas listed companies	277,791	277,791	-	-	277,791
Stock of overseas unlisted companies	<u>46,224</u>	<u>-</u>	<u>-</u>	<u>46,224</u>	<u>46,224</u>
Subtotal	\$ <u>1,003,303</u>	<u>808,989</u>	<u>-</u>	<u>194,314</u>	<u>1,003,303</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$106,909,838	-	-	-	-
Notes and accounts receivable	161,277,511	-	-	-	-
Other receivables	6,199,878	-	-	-	-
Other financial assets	<u>36,211,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$310,598,848	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$126,452,907	-	-	-	-
Other loans	2,229,240	-	-	-	-
Non-interest bearing liabilities	207,722,099	-	-	-	-
Lease liabilities	1,802,908	-	-	-	-
Unsecured ordinary corporate bonds	<u>27,976,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$366,183,670	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments not measured at fair value:

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Valuation techniques for financial instruments measured at fair value:

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

It is based on the valuation model accepted by the most market users, ex: Discount rate and option pricing model. Forward exchange agreement is usually based on the current forward rate.

Fair value of structured financial instruments is based on appropriated valuation model, ex: Black-Scholes model, or other valuation model, ex: Monte Carlo simulation.

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the six months ended June 30, 2022 and 2021.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>		<u>Total</u>
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	65,051	-	-	65,051
In other comprehensive income	-	3,401	-	3,401
Purchased	323,530	-	124,574	448,104
Ending Balance, June 30, 2022	<u>\$ 1,104,339</u>	<u>197,411</u>	<u>166,358</u>	<u>1,468,108</u>
Opening balance, January 1, 2021	\$ 400,238	218,951	-	619,189
Total gains and losses recognized:				
In profit or loss	(12,100)	-	-	(12,100)
In other comprehensive income	-	(936)	-	(936)
Purchased	82,824	-	-	82,824
Subsidiaries disposals	-	(23,701)	-	(23,701)
Ending Balance, June 30, 2021	<u>\$ 470,962</u>	<u>194,314</u>	<u>-</u>	<u>665,276</u>

For the years ended June 30, 2022 and 2021, total gains and losses that were included in “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	\$ <u>27,434</u>	<u>(7,550)</u>	<u>65,051</u>	<u>(12,100)</u>
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	\$ <u>1,830</u>	<u>(1,113)</u>	<u>3,401</u>	<u>(936)</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss – equity investments, private fund and financial assets measured at fair value through other comprehensive income – equity investments, private fund.

Most of the Group's financial assets in Level 3 have only one significant unobservable input, while its financial instrument investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of June 30, 2022, December 31, 2021 and June 30, 2021, were 2.2~8.9, 2.2~8.9 and 1.2~2.3, respectively.) ·Market illiquidity discount (As of June 30, 2022, December 31, 2021 and June 30, 2021, were 20%) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of June 30, 2022, December 31, 2021 and June 30, 2021, were 1.4~1.6, 1.4~1.6, and 1.4~1.5, respectively.) ·Market illiquidity discount (As of June 30, 2022, December 31, 2021 and June 30, 2021, were 20%) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable
Financial assets at fair value through other comprehensive income-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
June 30, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	5,777	(5,777)	-	-
Equity investments without an active market	Market illiquidity discount	1%	5,777	(5,777)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,974	(1,974)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,974	(1,974)
December 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	2,447	(2,447)	-	-
Equity investments without an active market	Market illiquidity discount	1%	2,447	(2,447)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,940	(1,940)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,940	(1,940)
June 30, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,943	(1,943)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,943	(1,943)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(v) Offsetting of financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

June 30, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,779,891	14,334,506	1,445,385	-	-	1,445,385
Other financial asset and short-term loan	\$ 11,591,400	11,591,400	-	-	-	-

June 30, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 14,334,506	14,334,506	-	-	-	-
Other financial asset and short-term loan	\$ 11,591,400	11,591,400	-	-	-	-

December 31, 2021						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 23,624,999	17,460,484	6,164,515	-	-	6,164,515
Other financial asset and short-term loan	\$ 17,714,841	17,714,841	-	-	-	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2021						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		
				Financial Instruments (Note)	Cash collateral instruments	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 17,460,484	17,460,484	-	-	-	-
Other financial asset and short-term loan	\$ 17,714,841	17,714,841	-	-	-	-

June 30, 2021						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		
				Financial Instruments (Note)	Cash collateral instruments	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 16,099,646	11,850,163	4,249,483	-	-	4,249,483
Other financial asset and short-term loan	\$ 13,651,854	13,651,854	-	-	-	-

June 30, 2021						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		
				Financial Instruments (Note)	Cash collateral instruments	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 11,850,163	11,850,163	-	-	-	-
Other financial asset and short-term loan	\$ 13,651,854	13,651,854	-	-	-	-

Note: The master netting arrangement and non-cash collateral were included.

(af) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(af) of the consolidated financial statements for the year ended December 31, 2021.

(ag) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the year ended December 31, 2021. Also, they believe that for the six months ended June 30, 2022, there were also no changes in the Group's capital management information. For other related information, please refer to Note 6(ag) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ah) Financing activities not affecting current cash flow

For the six months ended June 30, 2022 and 2021, reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Foreign exchange movement	Other	
Long-term loans	\$ 13,237,371	1,092,168	77,481	(3,473)	14,403,547
Short-term loans	94,023,304	13,648,343	-	-	107,671,647
Bonds payable	36,869,595	-	-	3,698	36,873,293
Lease liabilities	3,071,000	(727,456)	132,926	788,182	3,264,652
Non-controlling interests	27,662,332	24,240	254,469	827,477	28,768,518
Total liabilities from financing activities	<u>\$174,863,602</u>	<u>14,037,295</u>	<u>464,876</u>	<u>1,615,884</u>	<u>190,981,657</u>

	January 1, 2021	Cash flows	Non-cash changes		June 30, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(427,149)	(239,778)	(9,588)	16,337,943
Short-term loans	105,242,889	8,169,193	-	(1,067,878)	112,344,204
Bonds payable	25,478,182	2,495,500	-	2,834	27,976,516
Lease liabilities	2,591,691	(769,177)	(41,204)	21,598	1,802,908
Non-controlling interests	36,345,941	(14,268,622)	1,764,385	840,896	24,682,600
Total liabilities from financing activities	<u>\$186,673,161</u>	<u>(4,800,255)</u>	<u>1,483,403</u>	<u>(212,138)</u>	<u>183,144,171</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Luxcase Precision Technology (Yancheng) Co., Ltd. (Former RI KAI COMPUTER ACCESSORY CO., LTD.)	An associate (Note)
RI-MING (SHANGHAI) CO., LTD.	An associate (Note)
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	An associate (Note)
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	An associate (Note)
RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD.	An associate (Note)
Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd.	An associate
CASETEK SINGAPORE PTE.LTD.	An associate (Note)
ADVANTECH CO., LTD.	Other related party

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note: Companies above were no longer the Company's subsidiaries but the Group's associates since the Group had lost control over the companies as of February 3, 2021. For more details, please refer to Note 4(b).

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

The amounts of significant sales by the Group to related parties were as follows:

	Sales			
	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Associates	\$ -	256,022	-	286,282
Other related party	9,330	-	50,590	-
	<u>\$ 9,330</u>	<u>256,022</u>	<u>50,590</u>	<u>286,282</u>

The terms and the selling price for related parties approximated the market price. The credit terms is from 30 to 60 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchase of Goods from Related Parties

The amounts of significant purchases by the Group from related parties were as follows:

	Purchases			
	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Associates	\$ <u>82,199</u>	<u>881,104</u>	<u>239,877</u>	<u>2,691,723</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms is 60 days, which were no different from the payment terms given by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	Other related party	\$ 14,071	9,709	-
Accounts receivable	Associates	-	-	212,924
Other receivables	Associates	373,867	288,517	421,251
		<u>\$ 387,938</u>	<u>298,226</u>	<u>634,175</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts payable	Associates	\$ 84,279	208,342	921,465
Accrued expenses	Associates	475	-	24,001
		<u>\$ 84,754</u>	<u>208,342</u>	<u>945,466</u>

(v) Loans to Related Parties

The loans to related parties were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Associates - RI SHAN COMPUTER ACCESSORY CO., LTD.	<u>\$ 8,668,423</u>	<u>8,258,365</u>	<u>15,489,853</u>
Range of interest rate	<u>1.00%</u>	<u>0.92%~1.00%</u>	<u>0.92%~1.00%</u>
Interest income	<u>\$ 42,621</u>	<u>130,141</u>	<u>69,155</u>

The interest charged by the Group to its related parties is based on the average interest rate charged by financial institutions on the Group's borrowings. The loans to related parties were unsecured. There are no provisions for doubtful debt required after the management's assessment.

(c) Key management personnel compensation

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 78,689	86,663	190,519	198,717
Post-employment benefits	1,091	1,008	2,104	2,025
Share-based payments	<u>35,016</u>	<u>41,885</u>	<u>73,333</u>	<u>81,410</u>
	<u>\$ 114,796</u>	<u>129,556</u>	<u>265,956</u>	<u>282,152</u>

Please refer to Notes 6(x) and 6(y) for further explanations related to share-based payment transactions.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Assets pledged as security

The carrying amounts of assets pledged as security were as follows:

Assets pledged as security	Liabilities secured by pledge	June 30, 2022	December 31, 2021	June 30, 2021
Other financial asset- restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, provisional attachment guarantee, etc.	\$ 121,348	121,307	160,864
Property, plant and equipment	Bank loans	314,166	42,036	53,238
Other financial asset- guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	41,532	37,471	5,642
		<u>\$ 477,046</u>	<u>200,814</u>	<u>219,744</u>

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	June 30, 2022	December 31, 2021	June 30, 2021
EUR	\$ 711	813	6,655
JPY	6,256,578	7,031,091	7,706,819
USD	18,563	9,455	12,706

(ii) Promissory notes and certificates of deposit obtained for business purpose were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
NTD	<u>\$ 10,490</u>	<u>10,490</u>	<u>17,473</u>

(iii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the significant contracts for purchase of properties by the Group amounted to \$18,480,823 thousand, \$14,181,360 thousand and \$11,291,084 thousand, of which \$8,153,652 thousand, \$5,302,235 thousand and \$5,083,760 thousand, respectively, were unpaid.

(iv) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,526,370 thousand, \$2,353,055 thousand and \$1,170,351 thousand, respectively.

(v) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group issued a tariff guarantee of \$805,399 thousand, \$773,936 and \$782,809 thousand, respectively, to the bank for the purpose of importing goods.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant contingent liability

AIG Specialty Insurance Company, as assignee and subrogee of the Group's customer, filed a lawsuit against the Group in the United States District Court for the Northern District of Georgia, seeking damages based on certain quality issue occurred on the products sold by the Group. On September 17, 2021, the Court found that the Group is liable for the products in issue through a summary judgement order. The specific amount of the damages will be decided by the Jury in the subsequent trial proceeding. The Group has reached a settlement with AIG Specialty Insurance Company for USD \$59,000 thousand before December 31, 2021. The group has recognized relevant provision. On March 21, 2022, the Group had completed its negotiations and signed a formal settlement agreement with AIG Specialty Insurance Company.

(10) Losses due to major disasters: None.

(11) Subsequent events:

On May 27, 2022, KINSUS's shareholders' meetings resolved to issue 5,400 thousand shares of restricted stocks for employees. The application has been approved by the FSC for issue with Letter Jin-Guan-Cheng-Fa-Zhi-No.1110347163 issued on June 23, 2022. On July 25, 2022, the board of directors resolved to issue 2,062,500 shares of restrictive employee stock at par value of NT\$10 per share. The issue price was set at NT\$85.6 per share. The total amount issued were NT\$176,500 thousand and the record date was tentatively set at August 19, 2022.

(12) Others

The nature of employee benefits, depreciation and amortization expenses categorized by function, was as follows:

By function	For the three months ended June 30					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 11,268,952	3,809,239	15,078,191	9,018,937	4,009,129	13,028,066
Health and labor insurance	1,094,204	252,880	1,347,084	839,111	226,285	1,065,396
Pension	1,116,403	205,461	1,321,864	810,352	187,411	997,763
Others	415,154	715,925	1,131,079	388,383	184,817	573,200
Depreciation	3,087,888	481,195	3,569,083	2,690,112	464,641	3,154,753
Amortization	9,022	40,217	49,239	14,619	20,933	35,552

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

By function	For the six months ended June 30					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 22,983,368	7,589,526	30,572,894	17,974,630	7,713,332	25,687,962
Labor and health insurance	2,362,237	530,986	2,893,223	1,559,287	492,022	2,051,309
Pension	2,164,697	406,859	2,571,556	1,559,710	372,982	1,932,692
Others	837,699	924,480	1,762,179	832,234	360,731	1,192,965
Depreciation	6,044,784	970,399	7,015,183	5,943,568	957,442	6,901,010
Amortization	19,710	56,561	76,271	33,485	42,252	75,737

Above depreciations did not include depreciation in investment property which was accounted under non-operating expense as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Depreciation in investment property	\$ 783	710	1,554	1,433

(13) Other disclosures

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 10

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

Please refer to Table 8 for the information on investees for the six months ended June 30, 2022.

(c) Information on investment in Mainland China:

(i) Please refer to Table 9 for names of investee, main businesses and products, total amount of capital surplus, method of investment, investment flows, net income (losses) of the investee, percentage of ownership and the upper limit on investment.

(ii) Please refer to information on significant transactions for either directly or indirectly through a third area, with investee companies in the Mainland Area. The transactions were eliminated in the consolidated financial statements.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTEK COMPUTER INC.		448,506,484	16.81 %

(14) Segment information

Please refer to Note 6(aa) for the information on revenue for the three months and the six months ended June 30, 2022 and 2021. The Group's operating segment information and reconciliation were as follows:

	DMS	Strategic Investment Group	Adjustment and eliminations	Total
For the three months ended June 30, 2022				
Reportable segment profit or loss	\$ <u>4,329,681</u>	<u>3,713,492</u>	<u>(1,256,295)</u>	<u>6,786,878</u>
For the three months ended June 30, 2021				
Reportable segment profit or loss	\$ <u>6,621,505</u>	<u>3,851,856</u>	<u>(2,368,007)</u>	<u>8,105,354</u>
For the six months ended June 30, 2022				
Reportable segment profit or loss	\$ <u>5,946,992</u>	<u>7,531,104</u>	<u>(2,915,183)</u>	<u>10,562,913</u>
For the six months ended June 30, 2021				
Reportable segment profit or loss	\$ <u>10,095,075</u>	<u>10,066,393</u>	<u>(8,208,615)</u>	<u>11,952,853</u>
Reportable segment assets				
June 30, 2022	\$ <u>551,944,915</u>	<u>140,868,082</u>	<u>(73,608,528)</u>	<u>619,204,469</u>
December 31, 2021	\$ <u>608,651,547</u>	<u>132,809,233</u>	<u>(64,690,417)</u>	<u>676,770,363</u>
June 30, 2021	\$ <u>505,060,361</u>	<u>237,328,413</u>	<u>(171,291,943)</u>	<u>571,096,831</u>